Perspec

President's message

IAC Limited
48th Annual Report 1972

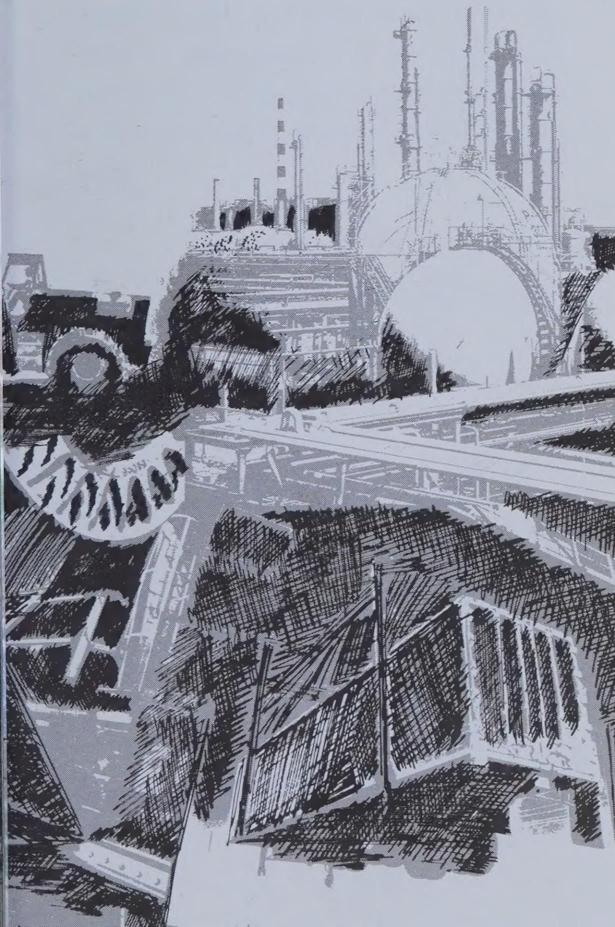
Highlights for the Year	1972	1971	Per Cent Increase (Decrease)
Gross Income	$ 147,635,000	$ 138,502,000	6.6
Proportion taken up by			
—Cost of borrowed money	37.9%	38.1%	
—General and administrative expenses	29.3%	29.4%	
Earnings applicable to common shares	$ 20,960,000	$ 18,351,000	14.2
Dividends paid on common shares	$ 10,744,000	$ 9,779,000	9.9
Proportion of earnings	51.3%	53.3%	
Earnings per share	$1.65	$1.50	10.0
Dividends paid per share	$ .84	$ .80	5.0
Per cent return on average common equity	13.84%	13.52%	
Volume of Business			
Sales financing—wholesale	$1,112,517,000	$ 955,291,000	16.5
—retail	$ 547,076,000	$ 431,658,000	26.7
Consumer loans	$ 192,739,000	$ 175,419,000	9.9
Residential mortgages	$ 41,508,000	$ 30,084,000	38.0
Commercial loans and leasing	$ 109,440,000	$ 46,909,000	133.3

At the Year End			
Total consolidated assets	$1,436,208,000	$1,232,940,000	16.5
Number of common shareholders	12,672	12,802	(1.0)
—domiciled in Canada	95.9%	95.6%	
Number of common shares outstanding	12,988,399	12,306,118	5.5
—owned in Canada	96.2%	95.2%	

IAC LIMITED

Interim Report

SIX MONTHS ENDED JUNE 30, 1972



IAC LIMITED

Head office
45 St. Clair Ave. W., Toronto 195, Ontario

TO THE SHAREHOLDERS:

During the first half of 1972, records were established in volume of new business and in total receivables outstanding.

Earnings applicable to common shares increased by 19.9% to $10.17 million, equivalent to 81¢ per share compared to 69¢ in the same period in 1971.

It is expected that the higher level and sound condition of receivables, with the general improvement in the economy, will ensure continuance of improved earnings through the remainder of the year.

K. H. MacDonald
President

Friday, August 11, 1972

Summary of Earnings

SIX MONTHS ENDED JUNE 30, 1972

EARNINGS	First quarter
	Second quarter
	First half
PREFERRED DIVIDENDS: DEDUCT	First quarter
	Second quarter
	First half
EARNINGS APPLICABLE TO COMMON SHARES	First quarter
	Second quarter
	First half
EARNINGS PER COMMON SHARE CALCULATED ON DAILY AVERAGE OF SHARES OUTSTANDING (Note)	First quarter
	Second quarter
	First half
DIVIDENDS PAID PER COMMON SHARE	

NOTE:
The daily average of common shares outstanding during the 6 months to June 30, 1972 was 12,465,905 (1971–12,167,230). At June 30, 1972 common shares were reserved as follows: 164,584 (1971–240,172) under stock option plans; 510,900 (1971–598,700) at $12.50 per share in respect of purchase warrants; and 217,680 (1971–677,600) at $12.50 per share for conversion of Subordinated Debentures if converted before October 31, 1972 or at $14.28½ per share thereafter on or before October 31, 1977. Assuming that on January 1, 1972 all these 893,164 shares reserved had been issued, 'fully diluted' earnings for the six months

Corp reports

IAC LIMITED AND SUBSIDIARIES

1972	1971
$ 5,000,000	$ 4,205,000
5,690,000	4,816,000
$10,690,000	$ 9,021,000
$ 260,000	$ 267,000
258,000	267,000
$ 518,000	$ 534,000
$ 4,740,000	$ 3,938,000
5,432,000	4,549,000
$10,172,000	$ 8,487,000
$ 0.38	$ 0.32
0.43	0.37
$ 0.81	$ 0.69
$ 0.40	$ 0.40

ended June 30, 1972 would have been 77 cents (1971-64 cents) per share. The calculation assumes that earnings applicable to common shares were increased:

(1) by $50,000 representing the elimination of interest net of income taxes attributable to the 7% convertible debentures; and

(2) by $144,000 representing interest at 6% p.a. net of income taxes imputed to a national reduction of borrowings by application of the funds which would have arisen had all options and purchase warrants been exercised.

Consolidated Statement of Earnings

FOR THE SIX MONTHS ENDED JUNE 30, 1972

GROSS INCOME

EXPENDITURE

Cost of borrowed money—

Secured notes

Debentures

Casualty insurance claims incurred

General and administrative

PROVISION FOR INCOME TAXES

Current

Deferred

PARENT COMPANY'S PORTION OF THE INCREASE IN UNASSIGNED SURPLUS OF LIFE ASSURANCE SUBSIDIARY

EARNINGS

IAC LIMITED AND SUBSIDIARIES

1972 $000's		1971 $000's	
	71,207		69,613
22,401		23,486	
4,102		3,921	
26,503		27,407	
3,346		3,101	
21,022	50,871	20,314	50,822
	20,336		18,791
7,330		7,619	
2,472	9,802	2,257	9,876
	10,534		8,915
	156		106
	10,690		9,021

FINANCIAL AND INSURANCE SERVICES

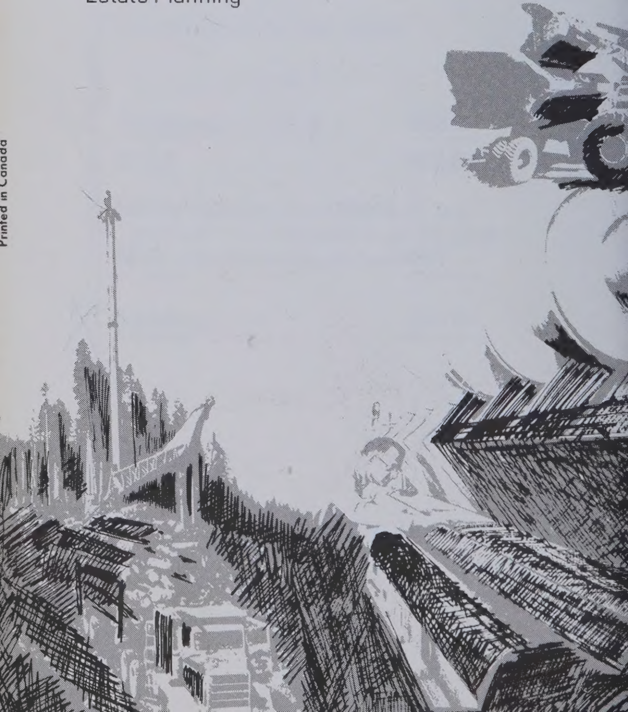
IAC LIMITED
Sales Financing • Purchase Credit Plans
Equipment Financing • Leasing
Fleet Financing • Portfolio Discounting
Capital Assets Leasing

NIAGARA FINANCE COMPANY LIMITED
Consumer Loans and Financing

MERIT INSURANCE COMPANY
Automobile, Comprehensive Home
and Personal Liability Insurance

NIAGARA REALTY OF CANADA LIMITED
NIAGARA REALTY LIMITED
First and Second Mortgage Loans
Mortgage Discounting • Combined Mortgages

THE SOVEREIGN LIFE
ASSURANCE COMPANY OF CANADA
Life, Key Man and Partnership Insurance
Estate Planning



Printed in Canada

IAC Limited and subsidiaries

48th Annual Report 1972

For the year ended December 31, 1972

Contents

IAC Limited

Incorporated under the laws of Canada Feb. 7, 1925

Head Office, 45 St. Clair Ave. W.,Toronto, Ontario
M4V 1K9

Si vous désirez recevoir un exemplaire en français du Rapport annuel de l'IAC, veuillez vous adresser au Secrétaire, IAC Limitée, 45 ouest, ave. St. Clair, Toronto, Ontario M4V 1K9

Report of the Directors to the Shareholders

Earnings applicable to common shares for the year 1972 amounted to $21.0 million against $18.4 million in 1971, an increase of 14.2%. This was equivalent to an increase of 15¢ to $1.65 per share thus marking a growth in total and per share earnings for ten successive years. The dividend paid per common share was 84¢ against 80¢ in the previous year. Accordingly, 1972 was the 36th consecutive year in which dividends were earned and paid and in each of the last 17 years the pay-out exceeded that of the preceding year.

It will be noted that the number of common shares outstanding increased during the year from 12,306,118 to 12,988,399. A total of 552,270 shares were issued under conversion rights of holders of the 1967 series of subordinated debentures, and 130,011 under purchase warrants and the personnel and stock option purchase plans. The number of common shares reserved for issue at year end was 821,163 versus 1,419,024 at the end of 1971.

The total volume of business transacted during the year was up 22%, exceeding for the first time, 2 billion dollars. The growth in receivables of $226 million or 19.9% accomplished in 1972 was the largest in the history of the Company resulting in the doubling of year-end totals in ten years. Growth in newer categories of receivables, notably leasing and residential mortgages, complemented the higher levels in the more traditional lines of business.

Since receivables represented 95% of the company's assets, their sound condition is of great significance to shareholders. The trend to lower ratios in defaults, charge-offs and loss exposures has continued and is expected to be maintained as a consequence of the change in the mix, the high quality of receivables, the careful selection of business, and attentive administration.

This change in mix brought about by successful introduction of new programs resulted in lower yields and a narrowing of traditional spreads. While consumer receivables have increased more than the increase in the market potential from which this business derives, the greater escalation in the growth of business receivables has had the effect of reducing historical patterns in income while improving the ratios of expenses, write-offs and potential losses.

The two insurance companies, The Sovereign Life Assurance Company of Canada and Merit Insurance Company have successfully combined a number of their operations in the interest of economy and effective co-ordination of marketing. As an important part of this program, W. R. Livingston, President of Sovereign, was also elected President of Merit in 1972.

During the year $65 million of long term debt was issued, consisting of $35 million IAC Secured Notes Series "39", $15 million Niagara Finance Company Limited Debentures and $15 million Niagara Realty of Canada Limited Secured Notes Series "C".

Early in 1972, it was announced that a substantial interest had been acquired in International Capital Corporation Limited, a management advisory and venture capital company. Later in the year, in collaboration with three other major financial institutions, IAC formed The Sovereign Mortgage Insurance Company whose primary business will be the insuring of high ratio mortgage loans. Also in 1972 an investment was made in a data processing company which is contracted to perform EDP services for IAC, and keep management abreast of new developments as they occur.

The following elections and appointments by the Board of Directors were announced during 1972:

J. S. Dewar and J. S. Land to the Executive Committee
F. P. Paradis, Senior Vice-President
B. F. London, Vice-President
C. R. Stewart, Assistant Vice-President as Assistant Secretary
L. G. Gravel, Assistant Vice-President
S. S. Ilaqua, Treasurer
L. C. Harbour and J. F. McCabe as Assistant Treasurers

Your Directors commend the staff of the organization for their notable achievements during the year, and wish to express appreciation for the dedication, judgement and effort reflected in the results reported.

Your Board expects that higher levels of receivables will be attained in 1973 with the increases in more direct proportion to growth trends in the Canadian economy. During the current year management and staff as well as IAC's strong financial position should enable the Company to surpass many of the records established in 1972.

On behalf of the Board

L. E. Nichol

Chairman

K. H. MacDonald

President

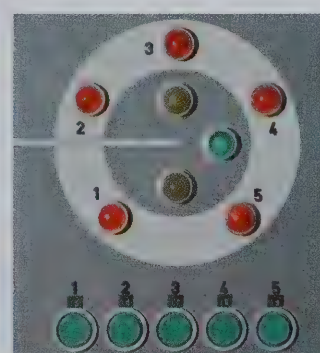
The IAC Companies Business and Industrial Services

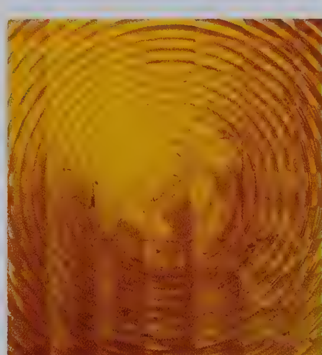
In the past decade, the IAC Companies' total receivables have more than doubled and their composition has been significantly altered. A major factor in this growth has been the very significant diversification which has taken place. IAC's policy of constantly seeking to develop and market new financial services has led to several timely diversifications which have made important contributions to the Companies' overall success. In the interests of clarifying for IAC shareholders the present position of these Companies and the role they now play in the Canadian economy, the following is a brief explanation of the various services offered to business and industry by the IAC Companies.

Purchase Credit for Business and Industry. Purchase credit has traditionally been one of the principal services of the finance industry. Its basic element is the conditional sales contract, which obligates the purchaser to pay the vendor for goods purchased on instalment terms. By buying these contracts for the amount owing after deducting an appropriate service charge, IAC provides vendors with immediate cash for the goods sold and relieves them of any delay in receiving payment and attendant administration costs. The purchaser, in turn, makes a deposit, obtains the goods without requiring cash for the balance, and is often able to make subsequent payments out of the revenues generated or savings effected by the item or items purchased. There are many variations of this basic mechanism, designed to suit the needs of particular industries. For example, a construction firm which is inactive during the winter months might arrange to make payments on equipment only during that part of each year when this equipment is active and earning income. Among the sectors of the Canadian economy where purchase credit is widely used are transportation, materials handling, farming, construction of all types, and most resource industries. The extreme flexibility of the purchase credit mechanism makes it possible to apply it to virtually any situation. IAC has participated in the financing of all types of revenue-producing machinery and equipment ranging all the way from dentists' drills to huge earthmoving machines.

Wholesale Inventory Financing. Wholesale inventory financing is simply a specialized commercial form of purchase credit. Dealers in manufactured goods, especially automobiles and trucks, must stock large inventories which involve considerable cash outlays. These expenditures cannot be recovered until all the units are sold at the retail level. IAC's wholesale inventory financing plans relieve dealers of this burden by buying manufacturers' wholesale sales contracts covering goods ordered. These contracts



are paid out by the dealers on a unit-by-unit basis as retail sales are made. More than 25 per cent of all motor vehicles on Canadian roads today—including products of every make and model, domestic or imported—were originally financed by IAC in this way. At present, this type of financing is confined to dealers who also use IAC services to finance their retail sales. However, in the near future IAC will be introducing wholesale financing plans designed for dealers in a wide variety of durable goods, where retail sales financing by IAC will not be a factor.

Leasing. IAC first introduced leasing facilities to commercial and industrial clients about 15 years ago. This new service met with an enthusiastic reception in all sectors of the economy, and today it constitutes the fastest growing segment of its business. Leasing provides a sound, economic alternative to debt financing as well as an additional source of credit. In a typical lease transaction, the client company selects the equipment it requires from the supplier of its choice and negotiates the purchase price. IAC then arranges to buy the equipment from the supplier and lease it to the client. The terms of the lease are usually arranged so that payments are spread over the economic life of the equipment involved. The principal advantage to the client is that he has the use of needed new equipment without major capital investment. Leasing also leaves the client's other sources of credit and capital unimpaired and available for other purposes. When a corporation plans a substantial investment in fixed assets, an examination of cash flow, tax and other considerations often shows leasing to be the most advantageous financing medium.

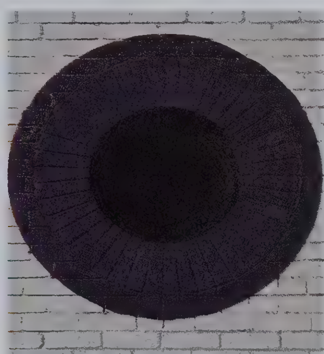
Because leasing has attracted such a wide variety of clients, it has become useful to develop many specialized plans. Often, transactions are of such size and complexity that they are designed and negotiated on an individual basis. In this way, IAC has completed multi-million dollar leasing arrangements with many of Canada's largest corporations in such fields as shipping, grain handling and storage, computer services, food processing, resource development, railways and airlines. Leasing is for many companies the most versatile financing medium available today, and can be applied to virtually any kind of capital asset. It is entirely feasible, for example, that IAC might lease to a client an entire plant facility such as a pollution control unit, including the costs of design, engineering and installation. In such an instance, the fact that leasing does not materially affect other capital investment programs is vitally important. Of course, leasing is also widely used in smaller businesses, and plans have been devised specifically to serve these markets. For instance, IAC has lease plans designed for distributors of such things as office equipment, trucks and containers as well as transportation and construction equipment. There are also plans tailored to the needs of a specific clientele, such as members of the dental or medical professions. In the case of new members of these professions, a special plan allows them to delay the commencement of their lease payments during the initial establishment of their practice.

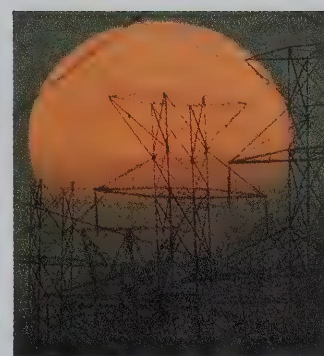
Another variation is vendor source leasing, which allows machinery and equipment distributors to sell products to IAC for lease to their customers. These lease agreements may be initiated by either the user or the vendor.

Commercial Mortgages. IAC's Capital Funds Division specializes in first mortgage loans on properties or land under development where conventional first mortgage financing may not be available. Second mortgage loans, of a short or medium term variety, are made on all types of income-producing real estate. To assist clients in 'bridging the gap' at the start of construction or development of an industrial or commercial property, interim mortgages are made available. These mortgages are later paid out by conventional first mortgages when the property is fully developed. IAC's mortgage business is structured to offer services beyond

those normally available to business and industry from such traditional first mortgage lenders as banks, insurance companies and trust companies. Typical customers for interim first mortgage loans are shopping centers and similar commercial development projects. Another important field is that of hotels and motels, where first or second mortgages are often arranged for such purposes as acquiring new furnishings and equipment.

Insurance Services. Sovereign Life Assurance Company of Canada and Merit Insurance Company are wholly-owned subsidiaries of IAC Limited. Both companies offer special-

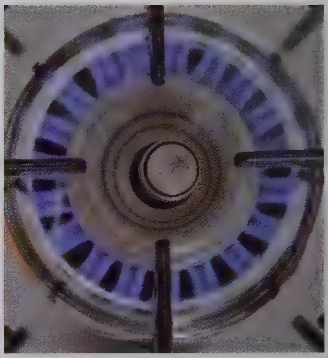




ized insurance services for business and industry. Sovereign Life's variety of life insurance products includes a form of sickness and accident coverage which insures IAC customers' instalment payments in the event of illness or injury. Sovereign also underwrites the life portion of IAC retail accounts. Partnership insurance to protect equity in a business is also available. Merit Insurance provides blanket physical damage coverage on automobiles and other types of mobile equipment financed by IAC. Coverage is also provided on light industrial equipment. In addition, drive-away and demonstrator coverage can be arranged for individual auto dealers. A growing area of new business emerged in 1972 when Merit began writing limited amounts of commercial fire insurance.

In examining the spectrum of services offered by the IAC Companies, it is apparent that while they are diverse and flexible, they are also closely inter-related. This fact creates considerable potential for efficient marketing and administration, while at the same time creating a broad business base. During the course of 1972, another element was added in the form of The Sovereign Mortgage Insurance Company. IAC, in collaboration with three other major financial institutions, formed this new company which will commence operations during the current year, and is expected to add further strength to the IAC Companies.

The IAC Companies Consumer Services

IAC began as a consumer-oriented auto sales finance company and this service continues to be an important part of its total business. During 1972 the Company achieved record levels of receivables and earnings in auto financing, despite increasing competition. Other consumer services, particularly personal loans through Niagara Finance Company Limited, are showing strong growth patterns. The principal consumer services offered by the IAC Companies are:

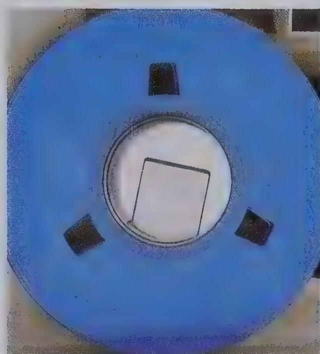
Retail Purchase Credit. As described under Purchase Credit for Business and Industry, the basic instrument in this field is the conditional sales contract. IAC buys these contracts from dealers who have sold goods to retail customers on instalment terms. The majority of such contracts cover the purchase of motor vehicles, but many other types of durable goods are also financed at the retail level in this way. In recent times, mobile homes have provided a major source of new business, and this field continues to be very attractive. IAC has obtained a major share of the available financing market for such homes which are transported by road to prepared sites and installed. Finance plans are specially designed to meet the needs of mobile home owners. Similar finance plans cover such less-expensive items as travel and camping trailers, snowmobiles, pleasure boats and other recreational vehicles. While competition from banks in the retail sales finance field has intensified recently, many customers now avail themselves of both types of credit, using sales finance for durable goods purchases, and holding bank credit available for other personal uses.

Consumer Loans. Niagara Finance Company Limited, a wholly-owned subsidiary of IAC, is the largest Canadian-owned consumer loan company. It maintains a coast-to-coast network of over 250 branches in Canada, as well as a dozen in the United Kingdom. Under the Small Loans Act, Niagara offers instalment cash loans of up to $1,500. In addition, larger loans up to $5,000 or more are made, and sales financing services for the purchase of a variety of durable goods are provided. Over 15,000 loans and purchase contracts are transacted each month with people from all walks of life. The service is confidential, speedy and personalized. Bankable security is not required and security of any kind is generally secondary to the basic credit requirements of character and ability to repay. Endorsers are seldom necessary. Niagara customers borrow money for as many reasons as there are to spend it. Typically, the amount needed is not large and is used for such commonplace needs as home or car repairs, sudden medical bills, school tuition fees, or vacations. Niagara is organized on a concept of geographic decentralization in order to concentrate as much administrative strength as possible in the marketplace. This ensures that customers receive all the personal attention they require, despite the large overall size of the Company. The success of this policy and the stability and maturity of the consumer loan market in Canada is reflected in the steady growth Niagara has experienced from year to year.

Residential Mortgages. Three companies in the IAC group provide mortgage funds for residential properties.

Niagara Realty of Canada Limited and Niagara Realty Limited offer more specialized mortgage services for individuals. These companies provide some first mortgages as well as second mortgages, which are often used for such purposes as freeing up funds required for other needs. Substantial demand for second mortgage accommodation originates from the so-called interest-averaging concept. Such transactions permit borrowers to retain existing low-interest mortgages by combining them with second mortgages. The overall interest rate thus achieved is generally lower than the rate on a straight first mortgage renewal at current interest levels.

The basic objective in mortgage lending by IAC Companies is to provide flexible and competitive financial services in those areas of the Canadian mortgage market which are not completely served by other mortgage lending insti-





tutions. For example, Niagara has made special efforts to extend its services to relatively remote areas of Canada that might not otherwise have easy access to mortgage funds. Over 200 Niagara offices across Canada can offer a full range of residential mortgage services.

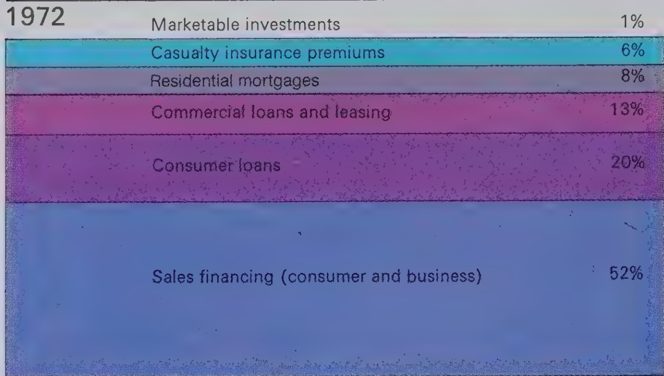
As is traditional with life insurance companies, Sovereign Life has a substantial investment in conventional first mortgages on commercial and residential properties.

Insurance Services. IAC's two insurance subsidiaries, Sovereign Life and Merit, both offer coverages to consumers. Any customer using an IAC finance plan, such as an auto buyer, has occasion to benefit from Sovereign sickness and accident coverage which will continue his instalment payments in the event he is unable to do so. Both companies also write insurance policies directly with consumers. Sovereign offers a complete range of life insurance protection, guaranteed annuities, and estate planning services. Merit underwrites comprehensive automobile and home insurance protection as well as broad coverage for public liability and property damage.

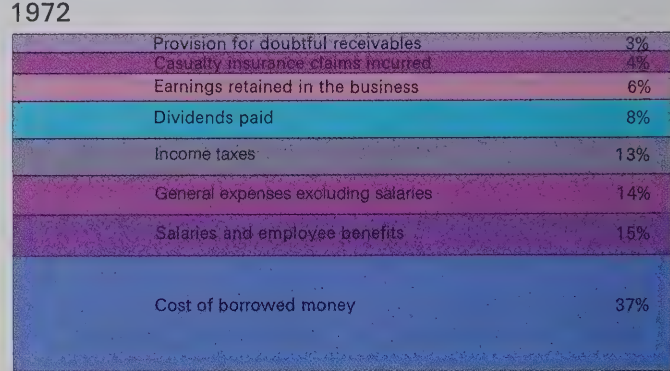
This brief review of the services available from the IAC Companies would not be complete without some mention of the size of the total organization. Today, less than 50 years after its founding, IAC Limited is a major Canadian-owned and managed corporation with more than a billion dollars in assets, doing business in all parts of the country, including the far north. Every working day, the IAC Companies make over seven million dollars in credit available to consumers, commerce and industry. The officers and management of these companies recognize the important role they are now playing in the development of the Canadian economy, and they are determined to continue growing with Canada.

General Commentary

Sources of Gross Income Chart 1
(Before Provision for Doubtful Receivables)



Composition of Gross Income Distribution Chart 2



Gross Income at $147.6 million established a new high and was up 6.6% over 1971. The increase was mainly attributable to higher average receivables on some of which, especially in the retail sales financing area, yields declined as the result of new plans and rates introduced during the year to enhance the marketability of the company's services. However, the reduced margins were an important factor in developing record volume and an improved market share. Gross income by source is detailed in Chart 1.

Money Costs increased by $3.1 million from the previous year as average borrowings were $53.7 million higher. The average cost of borrowings, on a consolidated basis, was 6.6% (1971—6.7%).

General and Administrative Expense increased by 6.1% over the previous year. This expense represented 29.3% of gross income (1971—29.4%). In the budgets developed for 1973 great care was exercised and every effort will be made to restrain those costs which are controllable.

Casualty Insurance Claims incurred by Merit Insurance Company were up 3.5%. The loss ratio was 69.12% vs 68.35% for the previous year. However, expenses were reduced from 37.4% of premium income to 33.7% and earnings increased to $420,670 (1971—$178,905). The detailed results are contained in the Merit Insurance section of this report.

Your Life Insurance Subsidiary enjoyed another record year in new business volume. Details of results may be found in the Sovereign Life Assurance section of this report. The parent company's portion of the increase in unassigned surplus of this subsidiary increased for the sixth consecutive year and at $605,000 was double that of the previous year.

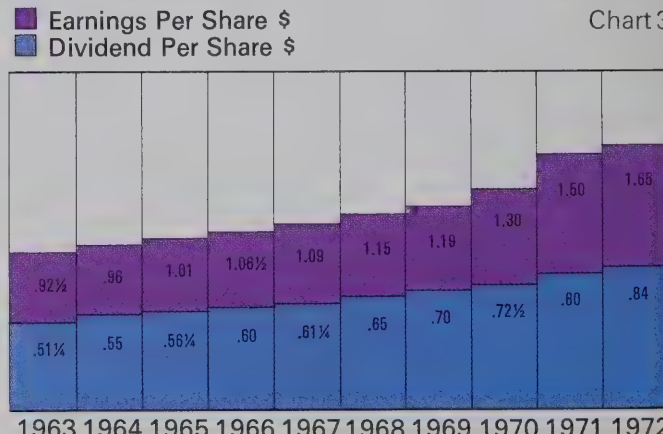
Consolidated Earnings at $22 million were up 13.3% and represented 14.9% of gross income (1971—14.0%). After preferred dividends, earnings applicable to common shares were $21 million, an increase of 14.2% for the year. Dividends paid on common shares totalled $10.7 million, up 9.9% from 1971. This represented 51.3% of earnings (1971—53.3%).

It is of interest to note that at year-end 96.2% of your company's common shares were owned in Canada.

Your attention is directed to Chart 4 which illustrates the growth of your company's receivables and the change in their composition which has taken place over the past decade. Whereas considerable progress has been achieved in the traditional field of consumer financing, business financing has grown more rapidly. Commercial and industrial receivables now constitute about 58% of the total portfolio as compared to less than 50% in 1962.

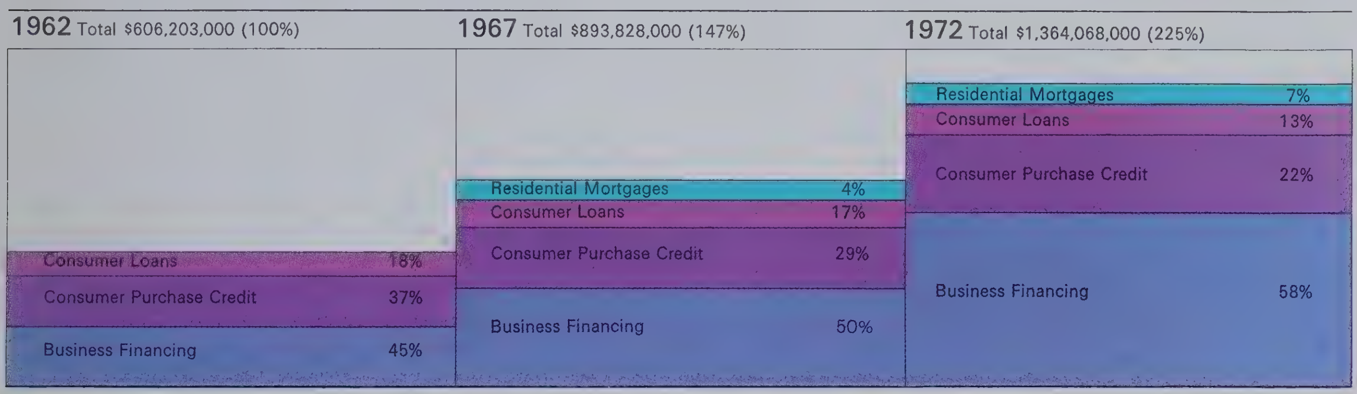
Wholesale Receivables, arising from the financing of dealer inventories, increased 21.5% in 1972.

Chart 3



Receivables and their Composition

Chart 4



Retail Sales Financing Receivables at December 31, 1972 were 17.4% higher than at the previous year-end.

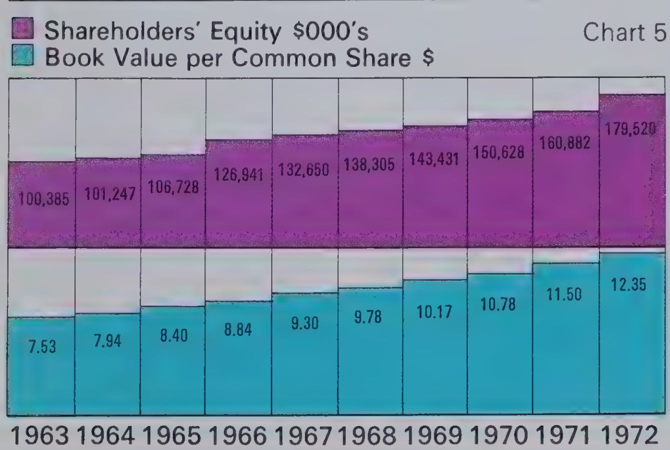
The increase in the **Consumer Loan Portfolio** at 9.0% reflected a substantial improvement over the 2.3% growth achieved the previous year.

The Residential Mortgage Subsidiaries enjoyed buoyant demand for their services. Receivables at year-end were up by 23.9%.

The Commercial Loan Portfolio continued to decline gradually. As noted in previous reports, reduced emphasis has, for several years, been placed on this area of business in favour of the more attractive capital asset leasing field. However, plans have now been completed to engage in commercial mortgage lending in selected areas of the country where personnel with specialized experience can be deployed to handle this type of business.

Leasing continued to show most encouraging growth. Included in those using our services are various levels of government and some of Canada's largest corporations engaged in resource development, transport and manufacturing. Receivables of $221 million at year-end reflected an increase of 49.5%. It should be noted that this total reflects our investment at the balance sheet date. If the statement were presented by another method which is commonly accepted, this asset would comprise the total rentals receivable under the leases concerned and would amount to $308 million.

Chart 5



Allowance for Doubtful Receivables at $16.6 million was equivalent to 1.22% of receivables. In the opinion of your management and your company's auditors this amount is adequate in relationship to the portfolio. Consolidated net losses, as a percentage of average receivables, were .35% as compared to .49% in 1971 and .57% in 1970.

The total of **Marketable Securities and Commercial Paper** receivable was reduced by approximately $30 million during the year. The decline resulted entirely from disposal of securities which had been held by the parent company as a liquidity reserve against fluctuations in the availability of short-term funds. With lines of credit from twenty-eight banks in Canada and the U.S.A. of which an average of over $225 million was unused throughout the year, the retention of these securities was considered unnecessary and the funds released by their sale have been invested in more profitable areas.

The traditional strength of the company's balance sheet is enhanced by the excellent condition of its receivables. Its long-term securities continue to receive excellent acceptance by investors. Its short-term notes enjoy the top ratings of both Standard & Poor's and Moody's. Large lines of bank credit are available. Thus, your company is in an excellent position to take advantage of opportunities for further growth and expansion.

Financial Statements

IAC Limited and subsidiaries (note 1)

Consolidated Statement of Earnings

For the year ended December 31, 1972

	1972 $000's		1971 $000's	
Gross Income (note 2)		147,635		138,502
Expenditure (note 3)				
Cost of borrowed money—				
Secured notes	47,902		45,080	
Debentures	8,017		7,758	
	55,919		52,838	
Casualty insurance claims incurred	6,739		6,510	
General and administrative	43,214	105,872	40,740	100,088
		41,763		38,414
Provision for Income Taxes (note 5)				
Current	6,406		10,369	
Deferred	16,273		8,930	
Less: Recovery of prior year's income taxes (note 6)	2,305	20,374		19,299
		21,389		19,115
Parent company's portion of increase in unassigned surplus of life assurance subsidiary		605		300
Earnings		21,994		19,415

Consolidated Statement of Retained Earnings

For the year ended December 31, 1972

	1972 $000's	1971 $000's
Earnings for the year	**21,994**	19,415
Dividends on preferred shares	**1,034**	1,064
Earnings Applicable to Common Shares	**20,960**	18,351
Dividends on common shares at $0.84 per share (1971—$0.80)	**10,744**	9,779
Earnings retained in the business	**10,216**	8,572
Gain on preferred shares purchased for cancellation	**50**	52
Increase in retained earnings for the year	**10,266**	8,624
Retained earnings at beginning of year	**106,257**	97,633
Retained earnings at end of year (note 7)	**116,523**	106,257

Common Stock Earnings Per Share	**1972 $**	1971 $
Calculated on daily average of common shares outstanding—12,694,400 shares; 1971—12,207,770 shares (note 8)	**1.65**	1.50

Consolidated Balance Sheet
as at December 31, 1972

Assets

	1972 $000's	1971 $000's
Current Assets		
Cash	28,202	30,638
Receivables—		
Sales financing—wholesale	215,289	177,130
—retail	606,912	516,973
Dealer loans	19,447	17,816
Consumer loans	173,487	159,102
Residential mortgages	94,148	75,992
Commercial loans	31,346	39,501
Leasing	220,668	147,618
Other	1,329	879
Property, vehicles and equipment held for sale	1,442	2,230
	1,364,068	1,137,241
Allowance for doubtful receivables	16,633	16,384
	1,347,435	1,120,857
Income taxes recoverable	3,957	
	1,351,392	1,120,857
Marketable securities—at cost or amortized values plus accrued interest (quoted value 1972—$23,532,000; 1971—$24,382,000) (note 9)	24,247	26,022
Commercial paper receivable	9,362	37,478
	33,609	63,500
	1,413,203	1,214,995
Other Assets and Deferred Charges		
Cash committed for debenture and preferred stock retirement	491	442
Investment in life assurance subsidiary (note 1)	5,554	4,949
Investment in other companies—at cost	2,194	657
Leasehold improvements and prepaid expenses	2,401	1,812
Unamortized debt discount and expense	8,014	6,059
Premises and equipment—at cost, less accumulated depreciation of $5,159,000 (1971—$4,919,000)	4,351	4,026
	23,005	17,945
	1,436,208	1,232,940

Signed on behalf of the board **L. E. Nichol**, Director **K. H. MacDonald**, Director

Consolidated Balance Sheet
as at December 31, 1972

Liabilities

	1972 $000's	1971 $000's
Current Liabilities		
Secured demand bank loans	26,527	26,000
Secured short-term notes	313,926	248,852
Accounts payable and accrued liabilities	77,276	49,561
Income taxes	918	5,132
Dealer credit balances	16,331	16,343
	434,978	345,888
Secured Medium-Term Notes (Schedule A and note 11)	169,463	149,586
Secured Long-Term Notes (Schedule B and note 11)	351,012	312,691
Debentures (Schedule C and note 12)	100,633	93,894
Subordinated Debentures (Schedule D and notes 12 and 14)	12,519	19,821
	633,627	575,992
Unearned Income		
Service charges	114,593	93,892
Casualty insurance premiums	4,419	4,181
	119,012	98,073
Unrealized Foreign Exchange Gain (note 11)	7,915	7,222
Deferred Income Taxes (note 13)	61,156	44,883
	1,256,688	1,072,058

Shareholders' Equity

Capital Stock (Schedule E)		
Preferred shares	19,145	19,346
Common shares (note 14)	43,852	35,279
	62,997	54,625
Retained Earnings (note 7)	116,523	106,257
	179,520	160,882
	1,436,208	1,232,940

Consolidated Statement of Changes in Operating Assets

For the year ended December 31, 1972

	1972 $000's	1971 $000's
Increase in operating assets		
Receivables—		
Sales financing and dealer loans	129,729	24,421
Consumer loans	14,385	3,537
Residential mortgages	18,156	13,361
Commercial loans and leasing	64,895	13,950
	227,165	55,269
Less: Increase in allowance for doubtful receivables	249	1,880
Increase in unearned income	20,939	2,394
	21,188	4,274
	205,977	50,995
Cash and investments in marketable securities and commercial paper	(32,327)	5,894
	173,650	56,889
This net increase in operating assets was provided from the following sources:		
Operations—		
Earnings	21,994	19,415
Amortization of debt discount and expense	11,458	10,300
Amortization and depreciation of fixed assets	1,468	1,247
Provision for deferred income taxes	16,273	8,930
Contribution to earnings by unconsolidated subsidiary	(605)	(300)
	50,588	39,592
Borrowings—proceeds less redemptions—		
Secured bank loans	527	1,000
Secured short-term notes	53,666	5,361
Secured medium-term notes	18,867	987
Secured long-term notes	38,408	5,958
Debentures and subordinated debentures	(952)	(4,676)
	110,516	8,630
Capital stock—		
Preferred shares—cost of redemptions	(151)	(444)
Common shares—proceeds of issues	8,573	2,126
	8,422	1,682
Net increase in accounts payable, income taxes, dealer credit balances, "other" receivables and property, etc. held for sale	19,870	19,123
	189,396	69,027
Less: Net expenditure on other assets	3,968	1,295
Dividends paid on preferred and common shares	11,778	10,843
	15,746	12,138
	173,650	56,889

NOTE:

Because of the nature of the activities of the company and its subsidiaries, it is not meaningful to prepare a consolidated statement of source and application of working capital. However, the above statement presents a summary of the changes in operating assets during the years and the sources providing the increase.

Notes to Consolidated Financial Statements For the year ended December 31, 1972

1. Principles of Consolidation

The statements consolidate the accounts of the company and its subsidiaries with the exception of those of The Sovereign Life Assurance Company of Canada. The nature of the business of this subsidiary does not permit a meaningful presentation in the consolidation. The investment in its shares is stated at cost plus the parent company's portion of increase in unassigned surplus of the subsidiary since acquisition.

2. Gross Income

	1972	1971	Increase (decrease)	
	$000's	$000's	$000's	%
Sales financing and dealer loans	**79,733**	78,775	958	1.2
Consumer loans	**30,400**	29,567	833	2.8
Residential mortgages	**11,365**	9,414	1,951	20.7
Commercial loans and leasing	**18,968**	15,394	3,574	23.2
	140,466	133,150	7,316	5.5
Provision for doubtful receivables	**4,479**	7,250	(2,771)	(38.2)
	135,987	125,900	10,087	8.0
Casualty insurance premiums	**9,751**	9,524	227	2.4
Marketable securities and commercial paper	**1,897**	3,078	(1,181)	(38.4)
	147,635	138,502	9,133	6.6

3. Expenditure

Expenditure includes the following:

	1972	1971
	$000's	$000's
Cost of borrowed money on indebtedness initially incurred for a period of more than one year	**41,667**	38,391
Depreciation of premises and equipment	**957**	838

4. Remuneration of Directors and Officers

	1972	1971
Aggregate remuneration of the IAC Limited directors as directors of—		
IAC Limited	**54,400**	56,400
Niagara Finance Company Limited	**10,550**	11,000
Merit Insurance Company	**10,500**	10,700
Premier Property Limited		90
The Sovereign Life Assurance Company of Canada	**6,700**	5,300
	$ 82,150	$ 83,490
Number of directors of IAC Limited	**16**	16
Aggregate remuneration of the IAC Limited officers as officers of IAC Limited	**$1,104,200**	$1,081,973
Aggregate remuneration of the IAC Limited officers as directors of—		
Niagara Finance Company Limited	**450**	1,600
Merit Insurance Company	**1,200**	2,800
Premier Property Limited		140
The Sovereign Life Assurance Company of Canada	**700**	1,400
	$ 2,350	$ 5,940
Number of IAC Limited officers	**19**	20
Number of IAC Limited officers who are also directors	**3**	3

5. Tax Relief Available for Future Years

As at December 31, 1972 a subsidiary had losses for tax purposes of approximately $340,000 available for application against taxable income of future years not later than as follows:

	$
1974	246,000
1976	94,000

6. Recovery of Prior Year's Income Taxes

It has been the company's policy in accounting for leased assets to record the excess of aggregate rentals over cost as income, to be taken up over the term of the lease in decreasing amounts pro-rata to the declining balance of the investment not yet recovered. For income tax purposes, rentals are treated as income and maximum capital cost allowance is deducted therefrom. Application of this policy in 1972 created a loss for income tax purposes which results in the recovery of $2,305,000 of taxes paid for the year 1971.

7. Retained Earnings—Statutory Appropriation

An amount equal to the par value of preferred shares purchased for cancellation has been set aside in the accounts out of retained earnings (1972—$5,855,000; 1971—$5,654,000).

8. Fully Diluted Earnings per Common Share

Assuming that on January 1, 1972 all shares reserved as shown in note 14 had been issued, fully diluted earnings for the year ended December 31, 1972 would have been $1.57 (1971—$1.39) per common share. The calculation assumes that earnings applicable to common shares were increased:

(a) by $36,000 representing the elimination of interest, net of income taxes, attributable to the 7% convertible debentures; and

(b) by $342,000 representing interest at 6% per annum net of income taxes, imputed to a notional reduction of borrowings by application of the funds which would have arisen had all options and purchase warrants been exercised.

9. Marketable Securities

Marketable securities include those held by the casualty insurance subsidiary, at cost plus accrued income, amounting to $12,491,000 (1971—$11,461,000) (quoted value 1972—$11,921,000; 1971—$10,639,000).

10. Maturities of Gross Receivables and Payables

(in millions of dollars)

	1 year	2 years	3 years	4 years	5 years	6-10 years	Over 10 years	Total
Receivables								
Sales financing—								
Wholesale	215.3							215.3
Retail	290.9	181.5	79.9	20.5	10.7	23.3	.1	606.9
Dealer loans	3.9	2.8	3.1	3.5	3.7	2.3	.1	19.4
Consumer loans	80.6	59.7	26.6	5.8	.8			173.5
Residential mortgages	4.1	5.4	5.9	5.8	6.1	28.8	38.0	94.1
Commercial loans and leasing	35.0	36.7	30.0	25.0	19.0	58.0	48.3	252.0
Other receivables, property, etc. held for sale and income taxes recoverable	6.7							6.7
	636.5	286.1	145.5	60.6	40.3	112.4	86.5	1,367.9
Payables								
Debt*	404.2	68.5	20.8	8.3	51.0	117.9	303.4	974.1
Other	80.9	7.8	3.5	1.0	.5	.8		94.5
	485.1	76.3	24.3	9.3	51.5	118.7	303.4	1,068.6
Excess of Receivables (Payables)	151.4	209.8	121.2	51.3	(11.2)	(6.3)	(216.9)	299.3

*Allocation not adjusted for sinking fund requirements.

11. Secured Medium and Long-Term Notes Payable in U.S. Funds

Unhedged notes payable in U.S. funds have been converted to Canadian funds at current exchange rates. The gain or loss resulting from the difference between the exchange rate at the date the proceeds were received and the current exchange rate is recorded as "unrealized foreign exchange gain" on the balance sheet. As at December 31, 1972 the amount of $7,915,000 comprises unrealized gains totalling $8,755,000 and unrealized losses of $840,000 in respect of the medium-term note due in 1982 and the Series "S" notes.

Future fluctuations in the exchange rate as they affect outstanding medium and long-term notes payable in U.S. funds will be recorded in this account so long as accumulated unrealized gains exceed unrealized losses.

12. Sinking Fund Requirements

Debenture and subordinated debenture sinking fund requirements for the year to December 31, 1973 amount to $1,127,000.

13. Deferred Income Taxes

Deferred income taxes arise from timing differences relating to the treatment of income or expenses associated with the following balance sheet items:

	1972 $000's	1971 $000's
Residential mortgages	360	300
Leasing receivables	58,287	42,520
Unamortized debt discount and expense	1,831	1,415
Premises and equipment	171	169
Unearned casualty insurance premiums	507	479
	61,156	44,883

14. Common Shares

Common shares are reserved for issue as follows:

	Shares reserved 1972	Shares reserved 1971
(a) Personnel stock purchase plan— This is a continuing plan available after three years of service to all employees, certain of whom are directors, at $19.12 per share during 1973 (1972—$17.32) allocated on a formula based on annual remuneration	140,383	159,158
(b) 1973 stock option plan, expiring December 31, 1973— Available to officers and certain senior personnel as determined by the Board of Directors at a price not less than 90% of the last board lot sale on The Toronto Stock Exchange on the business day next preceding the date upon which the option is granted. As at December 31, 1972 options had been granted to those eligible, certain of whom are directors, for 95,650 shares at $18.79	100,000	
(c) 1967 stock option plan (expired July 26, 1972)		29,166
(d) Purchase warrants exercisable to August 14, 1974 at $12.50 per share attached to the 1966 6¾% subordinated sinking fund debentures	510,780	598,300
(e) Conversion right exercisable until October 31, 1977 at 70 shares (equivalent to $14.285 per share) for each $1,000 of principal of the 1967 7% convertible subordinated debentures	70,000	632,400
	821,163	1,419,024

During the year 130,011 shares were issued for cash and 552,270 shares were issued on conversion of 7% convertible subordinated debentures.

15. Contingent Liabilities

The company is defendant in legal actions amounting to approximately $2,800,000. Counsel for the company is of the opinion that none of the actions will result in a material liability.

Details of Secured Medium-Term Notes

Schedule A

(issued for a term of over one and not more than ten years at various rates of interest)
as at December 31, 1972

	Year of maturity	Par value U.S. $000's	1972 $000's	1971 $000's
Payable in Canadian funds—				
Parent company	1972			71,973
	1973		**53,561**	47,981
	1974		**29,527**	14,212
	1975		**11,146**	1,141
	1976		**6,199**	6,189
	1977		**21,973**	117
	1978		**5**	5
	1979		**285**	285
	1980		**10**	10
			122,706	141,913
Niagara Finance Company Limited	1972			730
	1973		**3,615**	550
	1974		**3,135**	1,100
	1975		**90**	90
	1976		**51**	51
	1977		**880**	21
	1979		**15**	15
	1980		**20**	20
			7,806	2,577
Payable in U.S. funds (note 11)—				
Parent company	1972			1,018
	1973	6,000	**6,062**	4,078
	1974	2,000	**1,989**	
	1975	7,000	**6,995**	
	1976	2,000	**2,000**	
	1977	2,000	**2,005**	
	1982	20,000	**19,900**	
		39,000	**38,951**	5,096
			169,463	149,586

Notes payable in U.S. funds have been converted to Canadian funds at exchange rates established under forward exchange contracts. The notes maturing in 1982 not covered by forward exchange contracts have been converted at current exchange rates.

Details of Secured Long-Term Notes

Schedule B

(issued for a term of more than ten years)
as at December 31, 1972

	Year of issue	Series	Rate %	Maturity date	Par value U.S. $000's	1972 $000's	1971 $000's
Payable in Canadian funds—							
Parent company	1954	"O"	4¼	July 2, 1972			10,000
	1959	"T"	5¾	April 1, 1979		6,000	6,000
	1959	"U"	6½	December 1, 1974		12,500	12,500
	1959	"V"	6½	December 1, 1979		5,000	5,000
	1960	"W"	6	August 15, 1980		7,500	7,500
	1961	"X"	5¾	November 15, 1981		8,500	8,500
	1962	"Y"	5.40	July 2, 1982		10,000	10,000
	1964	"28"	5¾	September 15, 1984		15,000	15,000
	1965	"31"	5¾	March 1, 1985		12,500	12,500
	1965	"33"	6	December 1, 1985		5,000	5,000
	1966	"34"	6½	February 1, 1986		6,000	6,000
	1969	"37"	8¼	May 1, 1974		15,350	15,350
	1972	"39"	8¾	September 1, 1991		35,000	
						138,350	113,350
Series "37" notes are classified as long-term notes because they may be exchanged at the date of maturity at the holder's option for 8¼% notes maturing May 1, 1979, 8½% notes maturing May 1, 1984, or 8¾% notes maturing May 1, 1989. The 8¼% 1979 notes may in turn be exchanged at maturity for either 8½% 1984 notes or 8¾% 1989 notes.							
Niagara Finance Company Limited	1964	"1"	5¾	April 15, 1984		10,000	10,000
	1964	"2"	5¾	May 1, 1985		10,000	10,000
	1965	"3"	5¾	May 1, 1985		10,000	10,000
	1966	"4"	7½	December 1, 1986		5,000	5,000
	1968	"5"	8¼	May 1, 1988		7,500	7,500
						42,500	42,500
Niagara Realty of Canada Limited	1970	"A"	9¼	December 15, 1990		10,000	10,000
	1971	"B"	7⅞	December 15, 1986		19,966	20,000
	1972	"C"	8¼	August 15, 1982		15,000	
						44,966	30,000
The interest rate on Series "A" notes increases to 9½% on December 15, 1973 and to 9¾% on December 15, 1975. Holders have the right to prepayment on December 15, 1973, 1975, 1980 or 1985. Holders of Series "B" notes have the right to prepayment on December 15, 1978. The parent company has guaranteed Series "A", "B" and "C" notes as to principal, interest and redemption premiums, if any. Series "B" and "C" notes have purchase fund provisions.							
Payable in U.S. funds (note 11)—							
Parent company	1957	"S"	5½	February 15, 1977	16,200	16,119	16,240
	1962	"Z"	5¼	October 1, 1982	10,000	9,950	10,025
	1963	"27"	5¼	April 1, 1988	10,000	9,950	10,025
	1964	"29"	5	October 1, 1984	10,000	9,950	10,025
	1965	"30"	5	February 15, 1985	15,000	14,925	15,038
	1965	"32"	5½	October 1, 1987	20,000	19,900	20,050
	1966	"35"	5¾	February 1, 1986	12,825	12,761	12,857
	1968	"36"	7¾	October 15, 1986	14,300	14,228	15,037
	1969	"38"	9½	June 1, 1990	17,500	17,413	17,544
Holders of Series "38" notes have the right to prepayment on June 1, 1975, 1980 or 1985.					125,825	125,196	126,841
						351,012	312,691

Details of Debentures

Schedule C

as at December 31, 1972

	Year of issue	Rate %	Maturity date	Amount authorized and issued $000's	**Outstanding 1972 $000's**	Outstanding 1971 $000's
Payable in Canadian funds—						
Parent company	1953	5½*	July 2, 1973	5,000	**546**	748
	1954	5¼*	February 1, 1974	7,500	**3,368**	3,654
	1954	4½*	October 1, 1974	5,000	**2,654**	2,663
	1956	5¼*	June 1, 1975	5,000	**2,574**	2,737
	1957	5¾	January 15, 1977	12,000	**6,268**	6,435
	1957	6	September 1, 1977	5,000	**3,744**	3,873
	1958	5½	February 1, 1978	6,000	**3,556**	3,714
	1959	6	June 15, 1979	10,000	**7,817**	7,957
	1960	6¾	February 1, 1980	10,000	**7,909**	8,097
	1961	5¾	July 2, 1981	10,000	**8,537**	8,686
	1962	5¾	February 15, 1982	10,000	**7,903**	8,104
	1965	6½*	December 15, 1983	10,000	**7,889**	8,154
	1966	7½*	December 15, 1986	10,000	**8,118**	8,322
	1970	9½*†	October 15, 1992	15,000	**14,750**	14,750
					85,633	87,894
Niagara Finance Company Limited	1967	7¼	June 30, 1972			6,000
	1972	8 ††	April 17, 1992	15,000	**15,000**	
					100,633	93,894

*Sinking fund debentures (note 12). All others have purchase fund provisions.
†Holders have the right to prepayment on October 15, 1982.
††Holders have the right to prepayment on April 17, 1977.

Details of Subordinated Debentures

Schedule D

as at December 31, 1972

	Year of issue	Rate %	Maturity date	Amount authorized and issued $000's	**Outstanding 1972 $000's**	Outstanding 1971 $000's
Payable in Canadian funds—						
Parent company	1966	6¾*	August 15, 1984	15,000	**11,519**	11,916
	1967	7 **	November 1, 1985	10,000	**1,000**	7,905
					12,519	19,821

*Sinking fund debentures with common share purchase warrants attached (notes 12 and 14).
**Convertible debentures (note 14).

Details of Capital Stock
Schedule E

as at December 31, 1972

	1972 Shares	1972 Amount $000's	1971 Shares	1971 Amount $000's
Preferred Shares				
Authorized and issued—				
4½% cumulative shares of $100 each redeemable at $101	100,000	10,000	100,000	10,000
Purchased for cancellation	45,684	4,568	44,187	4,419
	54,316	5,432	55,813	5,581
5¾% cumulative shares of $25 each redeemable at $26.50 to May 15, 1977; $26.25 to May 15, 1981 and $25.25 thereafter	600,000	15,000	600,000	15,000
Purchased for cancellation	51,483	1,287	49,423	1,235
	548,517	13,713	550,577	13,765
		19,145		19,346
Common Shares (note 14)				
Authorized without nominal or par value	20,000,000		20,000,000	
Issued and fully paid	12,988,399	43,852	12,306,118	35,279

Auditors' Report to the Shareholders

McDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

COOPERS & LYBRAND
IN PRINCIPAL AREAS
OF THE WORLD

TELEPHONE (416) 366-2551
120 ADELAIDE STREET WEST
TORONTO 110, ONTARIO, CANADA

We have examined the consolidated balance sheet of IAC Limited and subsidiaries as at December 31, 1972 and the consolidated statements of earnings and retained earnings and changes in operating assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the changes in their operating assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.

February 9, 1973

Chartered Accountants

Policies, Accounting Principles and Other Data

Inter-Company Borrowing
IAC, the parent company, does not borrow from subsidiaries. Subsidiaries are not permitted to invest in IAC securities either by way of debt instruments or of preferred or common stock.

Borrowing in Currencies Other than Canadian Dollars
Borrowings in foreign currencies are in U.S. funds except for a line of bank credit in sterling which was arranged by Niagara Finance Company Limited during 1972 for use of its branches in the United Kingdom. Fully hedged borrowings are recorded at exchange rates established under forward exchange contracts. This would usually include all short-term notes and all or part of medium-term notes. Unhedged debt is stated at the Canadian equivalent based upon the exchange rate prevailing at the close of the related financial period.

Method of Assessing Doubtful Receivables
The entire portfolio is reviewed for collectibility each month and any 'potential loss' is provided for. After collection possibilities have been exhausted, any balance remaining on the account is written off. In arriving at the allowance for doubtful receivables, the collectibility of all accounts is carefully appraised (1) at branch level, (2) by regional managers*, (3)* by division general managers* and (4) if necessary by other executive officers. The shareholders' auditors participate closely in this appraisal during each audit.

*For parent company and by equivalent ranking officers for each subsidiary.

Delinquencies
Delinquent accounts are those on which the lesser of $25. or half of an instalment is past due one month or more. Renewed accounts are analyzed on the basis of the current payment schedule and extended accounts on the basis of the extended schedule. Partial payments, no matter how recent, will not remove an account from delinquent status. Renewals and extensions of accounts are carefully controlled. The Supplement to this Annual Report contains detailed information.

Branch Start-up Expenses
Start-up expenses of new branches are charged to current earnings as and when incurred.

Amortization of Intangibles
Debt discount and expenses are amortized over the term of the related debt instruments. In case of exchange or prepayment at the holder's option the amortization term is calculated to the date of the first option. Leasehold improvements are amortized in accordance with the regulations of the Income Tax Act (Canada). Improvements to owned properties are amortized over five years, or over 10 years if the cost exceeds $10,000.

Depreciation Policies
In the case of buildings, depreciation is booked on a straight-line basis at the rate of 2.5% per annum. The maximum rates allowable are claimed for tax purposes. Any resulting tax difference is recorded as deferred income tax. All other physical assets are depreciated at the rates allowed by tax regulations.

Treatment of Leasing Income

For leased assets, the excess of aggregate rentals over cost is taken up as income over the term of the lease in decreasing amounts pro-rata to the declining balance of the investment not yet recovered. For tax purposes, rentals are treated as income and maximum capital cost allowance is deducted therefrom. Any resulting tax difference is recorded as deferred income tax. Gains arising from residual values of leased assets are reflected in earnings only when realized, except where they are contractual. In this case, these values are included in income.

Treatment of Unearned Income

The IAC companies normally use the sum-of-the-digits method of determining unearned service charges. The calculation is performed on an account-by-account basis by computer with no allowance for any 'acquisition charge' in the month a contract is acquired. Income is deferred by IAC, the parent company, in such a way as to maintain the original yield on each account to its maturity. On IAC contracts written for terms in excess of 48 months, deferred income is taken into earnings on the actuarial yield basis which is more conservative. Consumer loan transactions of Niagara Finance Company Limited with precomputed charges involve higher initial costs than those of retail sales finance and, in this case, income is deferred equal to the total maximum rebate refundable for each account assuming it were paid out immediately after the close of any financial period. In addition to precomputed service charges, the purchase of regular mortgages at a discount gives rise to unearned income. This is deferred over the lesser of the remaining term of the mortgage or 10 years on the sum-of-the-digits method. In respect of combined mortgages, $35 of the 2% non-refundable fee is taken into income in the month the mortgage is written, to offset the same amount of closing fee paid. The balance is taken into income over the following 59 months (the maximum term of such loans is 5 years) using the sum-of-the-digits method.

Unearned casualty insurance premiums are taken into earned income on a straight-line basis as follows:

a) On policies sold directly to the public, 20% of the premium is immediately credited to income to cover acquisition expense. The remaining 80% is taken into earnings over the term of each policy. However, in accordance with income tax regulations, for tax assessment purposes 100% of the premium is deferred.

b) On policies sold to motor vehicle buyers using the parent company's financing facilities, the entire premium is deferred to be taken into income over the life of the policy.

Income Tax Allocation

When timing differences occur between accounting income and taxable income, IAC and all its subsidiaries account for income taxes on the tax allocation basis.

Pension Funds

IAC has a contributory pension plan (based on retirement at age 62) covering all permanent employees with over one year of service, except those of the life assurance company. The pension plan is based on the average remuneration received over a period of five consecutive years prior to retirement to equal a 'final earnings' plan. This is the result of a change in the pension plan, effective December 31, 1971 which eliminates the need for any updating. The company's contribution for 1972 amounted to $758,000 (1971: $770,000). In addition the company contributed $237,000 (1971: $238,000) to various government pension plans.

The Sovereign Life Assurance Company of Canada has its own pension plan based on retirement at age 65 for employees hired prior to 1970 and at age 62 for staff engaged after December 31, 1969.

Ten Year Operating and Statistical Summary*

	1972	1971	1970	1969
Volume of Business ($000's)				
Sales financing—wholesale	**1,112,517**	955,291	738,933	764,918
—retail	**547,076**	431,658	428,543	505,063
Consumer loans	**192,739**	175,419	168,422	174,752
Residential mortgages	**41,508**	30,084	20,181	18,113
Commercial loans and leasing	**109,440**	46,909	47,776	42,986
Net casualty insurance premiums written	**10,257**	9,598	10,149	10,882
New ordinary life assurance—business written	**60,200**	51,500	47,400	46,900
Assets & Liabilities ($000's)				
Total assets	**1,436,208**	1,232,940	1,176,661	1,152,286
Receivables	**1,364,068**	1,137,241	1,082,954	1,075,552
Total debt	**974,080**	850,844	841,506	843,284
Total equity	**179,520**	160,882	150,628	143,431
Debt to equity ratio: times	**5.43**	5.29	5.59	5.88

Operating Highlights ($000's) (per cent of gross income)	1972	%	1971	%	1970	%	1969	%
Gross income	**147,635**		138,502		143,244		136,327	
Cost of borrowed money	**55,919**	**37.9**	52,838	38.1	60,693	42.4	56,030	41.1
General expenses	**43,214**	**29.3**	40,740	29.4	40,938	28.6	40,161	29.5
Earnings	**21,994**	**14.9**	19,415	14.0	16,862	11.8	15,484	11.4
Preferred dividends	**1,034**	**.7**	1,064	.8	1,079	.8	1,118	.8
Earnings applicable to common shares	**20,960**	**14.2**	18,351	13.2	15,783	11.0	14,366	10.5

Common Stock Facts	1972	1971	1970	1969
Earnings per share outstanding —daily average	**$1.65**	$1.50	$1.30	$1.19
Per cent return on average equity	**13.8**	13.5	12.5	12.1
Dividends paid per share	**$ .84**	$ .80	$ .72½	$ .70
Income and other taxes per share	**$1.69**	$1.66	$1.53	$1.45
Number of shareholders	**12,672**	12,802	13,502	13,904
Number of shares outstanding —year end	**12,988,399**	12,306,118	12,131,720	12,060,587
—daily average	**12,694,400**	12,207,770	12,085,813	11,992,218
—owned in Canada—year end %	**96.2**	95.2	94.7	94.1
Book value per share	**$12.35**	$11.50	$10.78	$10.17

*Note: The above summary excludes data for The Sovereign Life Assurance Company of Canada, except for volume. Figures prior to 1969 reflect the two-for-one subdivision of common shares in May 1969.

	1968		1967		1966		1965		1964		1963
	768,619		626,863		602,313		701,635		560,862		486,679
	478,533		380,321		397,036		422,541		402,094		368,320
	178,473		164,450		157,019		166,745		155,463		136,244
	12,335		13,157		6,111		14,264		13,391		1,233
	25,376		18,405		14,443		41,208		46,851		37,308
	10,303		10,186		9,592		8,968		10,107		10,951
	44,000		36,900		34,500		39,800		35,600		29,300
	1,076,446		972,696		943,536		983,198		876,001		749,897
	1,001,013		893,828		887,427		931,533		795,023		679,558
	795,448		720,252		697,472		751,948		665,224		555,119
	138,305		132,650		126,941		106,728		101,247		100,385
	5.75		5.43		5.49		7.05		6.57		5.53
122,510		109,131		107,409		100,713		93,198		87,616	
48,958	40.0	41,577	38.1	43,386	40.4	37,431	37.2	31,000	33.3	26,546	30.3
36,761	30.0	34,715	31.8	32,628	30.4	32,214	32.0	30,466	32.7	28,643	32.7
14,936	12.2	14,205	13.0	13,509	12.6	12,297	12.2	11,715	12.6	11,523	13.2
1,146	.9	1,167	1.1	856	.8	327	.3	382	.4	580	.7
13,790	11.3	13,038	11.9	12,653	11.8	11,970	11.9	11,333	12.2	10,943	12.5
	$1.15		$1.09		$1.06½		$1.01		$ .96		$ .92½
	12.1		12.1		12.4		12.4		12.5		12.7
	$ .65		$ .61¼		$ .60		$ .56¼		$ .55		$ .51¼
	$1.33		$1.11½		$1.09		$1.10½		$1.03		$1.05
	14,081		13,675		13,776		13,220		13,486		11,144
	11,977,828		11,948,622		11,868,096		11,859,934		11,822,304		11,794,750
	11,954,178		11,917,132		11,861,052		11,838,938		11,802,120		11,786,924
	94.1		93.1		92.4		91.1		89.1		83.5
	$9.78		$9.30		$8.84		$8.40		$7.94		$7.53

Niagara Finance Company Limited

Niagara Finance Company Limited offers instalment cash loans to individual consumers as well as providing a sales financing service for the purchase of home goods and recreational equipment. Licensed under the Small Loans Act, it is your Company's largest subsidiary.

At year-end the Company provided its services through 257 offices in Canada and 12 in the United Kingdom.

Satisfactory growth during the year resulted in receivables reaching a record high of $198 million.

Gross income in 1972 was up 5.2% to $30.5 million (1971—$29.0 million). Earnings increased by 21.5% to $5,499,000.

Continued expansion in the Canadian economy, along with the anticipated buoyancy in consumer spending, should enable the Company to achieve further growth in receivables and correspondingly good earning results in 1973.

Selected Niagara Finance Statistics:

	1972	1971	1970	1969	1968
Earnings ($ thousands)	**5,499**	4,524	3,590	3,323	3,541
Receivables ($ millions)	**198.1**	178.3	174.7	170.3	164.9

Board of Directors

Roland Chagnon, C.A.
Montreal, Que.
President, Lallemand Inc.

Joseph C. Clapinson
Toronto, Ont.
Retired

James G. Kendrick
Montreal, Que.
President, Zellers Limited

Peter Kilburn
Montreal, Que.
Chairman, Greenshields Incorporated

Joseph S. Land
Toronto, Ont.
Chairman of the Board
Executive Vice-President, IAC

Byron F. London
Toronto, Ont.
President and General Manager

Keith H. MacDonald
Toronto, Ont.
President, IAC

Lyndon E. Nichol
Toronto, Ont.
Chairman of the Board, IAC

John L. O'Brien, Q.C.
Montreal, Que.
Partner, O'Brien, Hall, Saunders

John B. Pennefather
Montreal, Que.
Director, IAC

Grant E. Wemp
Toronto, Ont.
Honorary Chairman of the Board, IAC

Leighton R. Woodall
Toronto, Ont.
Vice-President and Asst. General Manager

Auditors' Report to the Shareholders

We have examined the balance sheet of Niagara Finance Company Limited as at December 31, 1972 and the statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 9, 1973

McDONALD, CURRIE & CO.
Chartered Accountants

Statement of Earnings
For the year ended December 31, 1972

	1972 $	1971 $
Gross Income (note 1)	30,514,771	28,999,935
Expenditure (note 2)		
Cost of borrowed money	7,755,956	7,412,577
General and administrative	12,377,300	12,365,892
	20,133,256	19,778,469
	10,381,515	9,221,466
Provision for Income Taxes		
Current	4,748,000	4,728,000
Deferred	135,000	(31,000)
	4,883,000	4,697,000
Earnings	5,498,515	4,524,466

Statement of Retained Earnings
For the year ended December 31, 1972

	1972 $	1971 $
Earnings for the Year	5,498,515	4,524,466
Dividends		
Class A shares	1,425,000	1,400,000
Common shares	1,425,000	1,400,000
	2,850,000	2,800,000
Increase in Retained Earnings for the Year	2,648,515	1,724,466
Retained Earnings at Beginning of Year	6,913,639	5,189,173
Retained Earnings at End of Year	9,562,154	6,913,639

Statement of Source and Use of Working Capital
For the year ended December 31, 1972

Presented in accordance with the provisions of the Business Corporations Act, 1970 (Ontario)

	1972 $	1971 $
Source of Working Capital		
Provided from operations	8,144,462	6,690,725
Proceeds from issue of medium-term notes	6,034,000	567,000
Increase in unearned income	5,690,802	2,696,763
Proceeds from issue of series "B" debentures	15,000,000	
	34,869,264	9,954,488
Use of Working Capital		
Increase in leasehold improvements and prepaid expenses	177,191	179,213
Increase in unamortized debt discount and expense	2,410,678	1,726,351
Additions to fixed assets—net	349,272	331,053
Redemption of medium-term notes	805,000	1,184,000
Payment of dividends	2,850,000	2,800,000
Redemption of series "A" debentures	6,000,000	
	12,592,141	6,220,617
Increase in Working Capital	22,277,123	3,733,871
Working Capital at Beginning of Year	101,829,335	98,095,464
Working Capital at End of Year	124,106,458	101,829,335

Balance Sheet as at December 31, 1972

	1972 $	1971 $
Assets		
Current Assets		
Cash	4,958,916	5,131,891
Receivables—		
Small loans (note 3)	62,984,857	71,821,610
Other loans	110,502,258	87,280,439
Sales financing—retail	23,856,724	18,985,252
Other	736,329	156,341
Vehicles and equipment held for sale	15,045	8,905
	198,095,213	178,252,547
Allowance for doubtful receivables	4,273,459	3,935,284
	193,821,754	174,317,263
	198,780,670	179,449,154
Other Assets and Deferred Charges		
Leasehold improvements and prepaid expenses	307,473	322,581
Unamortized debt discount and expense	1,411,294	1,051,289
Office equipment and automobiles—at cost, less accumulated depreciation of $925,932 (1971—$844,703)	763,210	681,585
	2,481,977	2,055,455
	201,262,647	181,504,609
Liabilities		
Current Liabilities		
Secured demand bank loans	13,027,500	14,000,000
Secured short-term notes	52,179,743	51,544,726
Demand note payable—parent company	1,500,000	5,200,000
Accounts payable and accrued liabilities	7,263,530	6,106,721
Income taxes	703,439	768,372
	74,674,212	77,619,819
Secured Medium-Term Notes (note 4)	7,806,000	2,577,000
Secured Long-Term Notes (note 5)	42,500,000	42,500,000
Debentures (note 6)	15,000,000	6,000,000
	65,306,000	51,077,000
Unearned Income	26,375,649	20,684,847
Deferred Income Taxes	344,632	209,304
	166,700,493	149,590,970
Shareholders' Equity		
Capital Stock		
Authorized—		
150,000 5¼% non-cumulative participating class A shares of $100 each, redeemable at par		
150,000 common shares without nominal or par value		
Issued and fully paid—		
125,000 class A shares	12,500,000	12,500,000
125,000 common shares	12,500,000	12,500,000
	25,000,000	25,000,000
Retained Earnings	9,562,154	6,913,639
	34,562,154	31,913,639
	201,262,647	181,504,609

Signed on behalf of the board **J. S. Land,** Director **B. F. London,** Director

Notes to Financial Statements For the year ended December 31, 1972

1. Gross Income

	1972 $	1971 $
Earned service charges and interest on receivables	33,363,171	32,447,050
Less: Provision for doubtful receivables	2,848,400	3,447,115
	30,514,771	28,999,935

2. Expenditure

Expenditure includes the following shown in accordance with the Business Corporations Act, 1970 (Ontario):	1972 $	1971 $
Cost of borrowed money on indebtedness initially incurred for a period of more than one year	4,220,472	3,502,227
Directors' and senior officers' remuneration	134,593	127,090
Depreciation of office equipment and automobiles	267,647	239,940

3. Small Loans

Small loans are those made for not more than $1,500 which are regulated under the Small Loans Act and upon which interest is accrued but not precomputed.

4. Details of Secured Medium-term Notes

(issued for a term of over one and not more than ten years at various rates of interest)

Year of maturity	1972 $	1971 $
1972		730,000
1973	3,615,000	550,000
1974	3,135,000	1,100,000
1975	90,000	90,000
1976	51,000	51,000
1977	880,000	21,000
1979	15,000	15,000
1980	20,000	20,000
	7,806,000	2,577,000

5. Details of Secured Long-term Notes

(issued for a term of more than ten years)

Year of issue	Series	Rate %	Maturity date	1972 $000's	1971 $000's
1964	1	5¾	April 15, 1984	10,000	10,000
1964	2	5¾	May 1, 1985	10,000	10,000
1965	3	5¾	May 1, 1985	10,000	10,000
1966	4	7½	December 1, 1986	5,000	5,000
1968	5	8¼	May 1, 1988	7,500	7,500
				42,500	42,500

6. Details of Debentures

Year of issue	Series	Rate %	Maturity date	1972 $000's	1971 $000's
1967	"A"	7¼	June 30, 1972		6,000
1972	"B"	8	April 17, 1992	15,000	

The holders of series "B" debentures have the right to prepayment of principal on April 17, 1977.

Niagara Realty of Canada Limited and Subsidiary

The affairs of these companies are administered by Niagara Finance Company Limited. Niagara Realty operates 12 specialized branch offices and, additionally, its mortgage services are offered through 225 Niagara Finance branch offices.

During 1972 receivables grew by 23.9% to $94 million and the number of new customers increased by 7.7% to 17,800.

Gross income increased from $9.2 million to $11.1 million or 20.5%

Earnings increased 12.6% to $1.7 million.

Further satisfactory growth in receivables and earnings in 1973 is anticipated.

Selected Niagara Realty Statistics:

	1972	1971	1970	1969	1968
Earnings ($ thousands)	**1,671**	1,483	832	579	519
Mortgage receivables ($ millions)	**94.0**	76.0	62.6	52.0	42.0
Average mortgage balance at year end (dollars)	**5,269**	4,580	4,099	3,825	3,519

Board of Directors

Joseph S. Land
Toronto, Ont.
Executive Vice-President, IAC

Byron F. London
Toronto, Ont.
President and General Manager

Keith H. MacDonald
Toronto, Ont.
President, IAC

Stanley F. Melloy
Toronto, Ont.
Vice-President—Finance, IAC

Leighton R. Woodall
Toronto, Ont.
Vice-President

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Niagara Realty of Canada Limited and subsidiary as at December 31, 1972 and the consolidated statements of earnings and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 9, 1973

McDONALD, CURRIE & CO.
Chartered Accountants

Consolidated Statement of Earnings
For the year ended December 31, 1972

	1972 $	1971 $
Gross Income (note 1)	11,140,236	9,248,537
Expenditure		
Cost of borrowed money	5,588,831	4,293,330
General and administrative	2,323,781	1,879,509
Depreciation of office equipment and automobiles	15,264	16,773
	7,927,876	6,189,612
	3,212,360	3,058,925
Provision for Income Taxes		
Current	1,368,667	1,313,245
Deferred	172,533	262,255
	1,541,200	1,575,500
Earnings	1,671,160	1,483,425

Consolidated Statement of Retained Earnings
For the year ended December 31, 1972

	1972 $	1971 $
Earnings for the Year	1,671,160	1,483,425
Dividends paid	900,000	750,000
Increase in Retained Earnings for the Year	771,160	733,425
Retained Earnings at Beginning of Year	1,977,342	1,243,917
Retained Earnings at End of Year	2,748,502	1,977,342

Consolidated Balance Sheet as at December 31, 1972

	1972 $	1971 $
Assets		
Current Assets		
Cash	2,646,256	1,473,835
Cash committed for unclosed loans	2,315,879	834,312
Receivables—		
Residential mortgages	94,148,400	75,992,129
Real estate held for sale—at estimated realizable value	16,971	50,446
Other	178,647	207,523
	94,344,018	76,250,098
Allowance for doubtful receivables	706,240	570,319
	93,637,778	75,679,779
	98,599,913	77,987,926
Other Assets		
Prepaid expenses	8,214	11,265
Unamortized debt expense	906,822	537,921
Office equipment and automobiles—at cost, less accumulated depreciation of $52,296 (1971—$55,077)	40,587	44,526
	955,623	593,712
	99,555,536	78,581,638
Liabilities		
Current Liabilities		
Demand note payable—parent company	42,244,000	37,860,000
Accounts payable and accrued liabilities	1,726,488	871,855
Income taxes	187,858	497,990
	44,158,346	39,229,845
Secured Long-Term Notes (note 3)	44,966,000	30,000,000
Deferred Income (note 4)	1,936,840	1,801,136
Deferred Income Taxes (note 5)	745,848	573,315
	91,807,034	71,604,296
Shareholders' Equity		
Capital Stock		
Authorized— 2,000,000 shares of $5 each		
Issued and fully paid— 1,000,000 shares	5,000,000	5,000,000
Retained Earnings	2,748,502	1,977,342
	7,748,502	6,977,342
	99,555,536	78,581,638

Signed on behalf of the board **B. F. London,** Director **S. F. Melloy,** Director

Notes to Consolidated Financial Statements

For the year ended December 31, 1972

1. Gross Income

	1972 $	1971 $
Earned income on mortgages	11,365,785	9,413,636
Less: Provision for doubtful receivables	225,549	165,099
	11,140,236	9,248,537

2. Remuneration of Directors and Officers

	1972	1971
Aggregate remuneration of directors as directors	Nil	Nil
Number of directors	5	5
Aggregate remuneration of officers as officers	$21,200	$19,341
Number of officers	5	4
Number of officers who are also directors	2	1

The affairs of the companies are largely administered by Niagara Finance Company Limited.

3. Details of Secured Long-term Notes

Year of issue	Series	Rate %	Maturity Date	1972 $000's	1971 $000's
1970	"A"	9¼*	December 15, 1990	10,000	10,000
1971	"B"	7⅞**	December 15, 1986	19,966	20,000
1972	"C"	8¼	August 15, 1982	15,000	—
				44,966	30,000

* The interest rate on these notes increases to 9½% on December 15, 1973 and to 9¾% on December 15, 1975. Holders have the right to prepayment on December 15, 1973, 1975, 1980 and 1985.

** Holders have the right to prepayment on December 15, 1978.

Series "B" and "C" have purchase fund provisions.

IAC Limited has guaranteed Series "A", "B" and "C" notes as to principal, interest and redemption premiums, if any.

4. Deferred Income

This arises from mortgages purchased at a discount and from fees received in advance on certain mortgages.

5. Deferred Income Taxes

Deferred income taxes arise from timing differences relating to the treatment of income or expenses associated with the following balance sheet items:

	1972 $	1971 $
Residential mortgages	360,086	299,680
Unamortized debt expense	385,762	273,635
	745,848	573,315

6. Source and Use of Working Capital

Because of the nature of the activities of the company and its subsidiary it is not meaningful to prepare a consolidated statement of source and use of working capital.

Merit Insurance Company

In 1972 written premiums increased to $10.3 million (1971—$9.6 million) despite the fact that as planned, the company phased out writing motor vehicle coverage for the parent company's retail automobile sales financing activities. All areas of direct business in automobile, residential fire and commercial lines increased satisfactorily.

Loss ratio overall increased slightly to 69.12% (1971—68.35%) due mainly to a greater severity in the automobile line. Expenses decreased to 33.7% of earned premiums (1971—37.4%).

Earnings increased to $420,670 from $178,905 in the previous year.

Continued co-ordination of operations between Merit and Sovereign progressed well during the year. Both agency forces are actively engaged in the sale of all product lines of auto, fire and life, with immediate marketing benefits to both companies. Sharing of certain administrative functions resulted in significant expense savings.

Assuming favourable industry conditions, all indications point toward continued improvement in 1973, through sound underwriting and further economies of operation.

Selected Merit Insurance Company Statistics:

(Thousands of Canadian Dollars)	**1972**	1971	1970	1969	1968	1967	1963
Premiums earned	**9,750**	9,524	10,301	10,638	10,292	9,865	11,065
Claims incurred	**6,739**	6,510	7,343	8,403	6,839	6,091	9,374
Expenses	**3,288**	3,560	3,361	3,464	3,158	2,919	3,248
Underwriting gain (loss)	**(277)**	(545)	(403)	(1,229)	294	856	(1,557)
Investment and other income	**725**	735	699	847	663	565	718
Income taxes	**28**	11	50	(109)	182	—	—
Earnings (loss)	**421**	179	246	(273)	775	1,421	(839)

Board of Directors

Hon. Louis P. Beaubien
Montreal, Que.
Senator

Roland Chagnon, C.A.
Montreal, Que.
President, Lallemand Inc.

Hon. E. Davie Fulton, Q.C.
Vancouver, B.C.
Partner, Fulton, Cumming, Richards, Underhill, Fraser & Skillings

Peter Kilburn
Montreal, Que.
Chairman, Greenshields Incorporated

Joseph S. Land
Toronto, Ont.
Chairman of the Board
Executive Vice-President, IAC

William R. Livingston
Toronto, Ont.
President

Keith H. MacDonald
Toronto, Ont.
President, IAC

Douglas W. Maloney
Toronto, Ont.
Senior Vice-President, IAC

Lyndon E. Nichol
Toronto, Ont.
Chairman of the Board, IAC

John L. O'Brien, Q.C.
Montreal, Que.
Partner, O'Brien, Hall, Saunders

John B. Pennefather
Montreal, Que.
Director, IAC

Renault S. St-Laurent, Q.C.
Quebec, Que.
Partner, St-Laurent, Monast, Desmeules, Walters & Dubé

Grant E. Wemp
Toronto, Ont.
Honorary Chairman of the Board, IAC

Donald J. Wilson
Toronto, Ont.
Vice-President & Managing Director

Statement of Earnings
For the year ended December 31, 1972

		1972 $		1971 $	1972 %	1971 %
Premiums						
Net premiums written		10,257,478		9,598,147		
Less: Reinsurance premiums		268,754		405,043		
		9,988,724		9,193,104		
Change in unearned premium reserve		(238,173)		331,291		
Premiums Earned		9,750,551		9,524,395	100.00	100.00
Expenses						
Claims incurred	6,181,576		5,873,739			
Staff adjusting expenses	557,841	6,739,417	636,105	6,509,844	69.12	68.35
		3,011,134		3,014,551	30.88	31.65
Commissions	1,080,231		981,878			
General and administrative	1,929,137		2,322,395			
Taxes and licences	278,768	3,288,136	255,373	3,559,646	33.72	37.37
Underwriting Gain (Loss)		(277,002)		(545,095)	(2.84)	(5.72)
Other Income						
Income from investments	639,494		622,567			
Gain on sale of investments	85,733	725,227	112,443	735,010		
		448,225		189,915		
Income Taxes (note 1)						
Current	89,738					
Deferred	27,555	117,293	11,010	11,010		
Earnings before Extraordinary Item		330,932		178,905		
Extraordinary Item						
Reduction of income taxes on application of prior year's loss		89,738				
Earnings		420,670		178,905		

Notes to Financial Statements

1. As at December 31, 1972, there were approximately $340,000 of losses which may be applied against taxable income of future years not later than as follows: 1974-$246,000 1976-$94,000

2. Reinsurer's advance and deposit contra accounts on the balance sheet for 1971 have been reclassified for comparative purposes.

Statement of Retained Earnings
For the year ended December 31, 1972

	1972 $	1971 $
Earnings for the Year	420,670	178,905
Retained Earnings at Beginning of Year	4,292,294	4,113,389
Retained Earnings at End of Year	4,712,964	4,292,294

Balance Sheet as at December 31, 1972

	1972 $	1971 $
Assets		
Cash	307,554	405,491
Reinsurer's deposit in respect of outstanding claims (contra)	292,536	380,606
Accounts receivable	1,808,210	1,746,526
Prepaid expenses	6,151	5,433
Investments—at cost plus accrued income (quoted value 1972—$11,921,491; 1971—$10,638,804)	12,490,613	11,461,333
Office equipment and automobiles—at cost, less accumulated depreciation of $286,427 (1971—$293,678)	159,871	167,167
Leasehold improvements—at cost, less amounts written off	216,533	232,979
	15,281,468	14,399,535
Liabilities		
Accounts payable and accrued liabilities	238,486	292,804
Accrued premium taxes	52,520	32,522
Provision for outstanding claims and adjusting expenses	3,398,992	3,081,067
Reinsurer's advance (contra)	292,536	380,606
	3,982,534	3,786,999
Unearned premium reserve	4,418,819	4,180,646
Deferred income taxes	506,851	479,296
	8,908,204	8,446,941
Shareholders' Equity		
Capital stock		
Authorized—10,000 shares of $100 each		
Issued and fully paid—5,830 shares	583,000	583,000
Premium on shares issued	327,300	327,300
Contributed surplus	750,000	750,000
Retained earnings	4,712,964	4,292,294
	6,373,264	5,952,594
	15,281,468	14,399,535

Signed on behalf of the board **W. R. Livingston,** Director **D. J. Wilson,** Director

Auditors' Report to the Shareholders

We have examined the balance sheet of Merit Insurance Company as at December 31, 1972 and the statements of earnings and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 2, 1973

McDONALD, CURRIE & CO.
Chartered Accountants

The Sovereign Life Assurance Company of Canada

New ordinary insurance and annuities issued in 1972 totalled $60.2 million. This represented an increase of 17% over the previous year and a greater increase than recorded by the industry as a whole.

The increase in ordinary insurance and annuities to $375.8 million represented the largest annual growth in this account in the Company's history.

Revenue, consisting of premiums and investment earnings including interest, dividends and rents, amounted to $13,839,415 (1971—$12,295,779).

Investment earnings continued to increase due to the larger investment portfolio and an improvement in net yield to 6.58% from 6.37% in 1971.

The present value, discounted at 5%, of future earnings, after tax, from business now in force and from which earnings would continue even if Sovereign were to cease all selling activity, was calculated at December 31, 1972 to be $3,132,178 (1971—$2,988,067).

Copies of the Sovereign 1972 report, which reflects a year of solid progress, are available from the Secretary of Sovereign or of IAC.

Selected Sovereign Life Statistics

(Millions of Canadian Dollars)	**1972**	1971	1970	1969	1968	1962*
Insurance in force:						
Ordinary	**375.8**	343.7	323.3	311.0	293.5	216.2
Group	**471.7**	401.4	420.0	449.6	386.8	2.6
Total	**847.5**	745.1	743.3	760.6	680.3	218.8
New business written:						
Ordinary	**60.2**	51.5	47.4	46.9	44.0	13.8
Group (Net change)	**70.4**	(18.7)	(29.6)	62.8	52.0	0.7
Policy reserves	**48.3**	46.7	45.4	45.6	44.9	37.2
Total assets	**68.4**	65.4	63.2	62.5	60.4	46.1
Net interest earned: Per cent	**6.58**	6.37	6.37	6.20	6.05	5.21

*Year of acquisition by IAC

Board of Directors

Ralph M. Barford
Toronto, Ont.
President, Valleydene Corporation

Roger H. Charbonneau
Montreal, Que.
Ecole des Hautes Etudes Commerciales

Hon. E. Davie Fulton, Q.C.
Vancouver, B.C.
Partner, Fulton, Cumming, Richards, Underhill, Fraser, Skillings

Joseph S. Land
Toronto, Ont.
Chairman of the Board
Executive Vice-President, IAC

William R. Livingston
Toronto, Ont.
President

Keith H. MacDonald
Toronto, Ont.
President, IAC

Robert E. Moore
Winnipeg, Man.
Partner, Moody, Moore, Duncan, Rattray, Peters, Searle & Christie

Lyndon E. Nichol
Toronto, Ont.
Chairman of the Board, IAC

François P. Paradis
Montreal, Que.
Senior Vice-President, IAC

John B. Pennefather
Montreal, Que.
Director, IAC

James H. Sutherland
Toronto, Ont.
Vice-President

Arthur J. Vincent
Winnipeg, Man.
President, Smith, Vincent & Co. Ltd.

Grant E. Wemp
Toronto, Ont.
Honorary Chairman of the Board, IAC

Robert J. Wilson
Montreal, Que.
Group Vice-President, The Royal Trust Company

Statement of Revenue For the year ended December 31, 1972

	1972 $	1971 $
Revenue		
Premiums and annuity considerations	9,600,438	8,349,352
Interest, dividends and rents, less related expenses of $275,242 (1971—$264,548)	4,238,977	3,946,427
	13,839,415	12,295,779
Policyholder Distribution and Expenditures		
Amounts paid to or set aside for policyholders and beneficiaries—		
Death and ordinary disability claims	2,865,765	2,741,442
Group disability claims	1,273,979	1,130,604
Matured endowments	876,735	579,224
Annuity benefits	200,868	208,952
Surrender values	1,365,517	1,784,454
Increase in reserves for insurance and annuity contracts	1,597,982	1,240,410
Interest credited to funds on deposit and pension fund	285,983	257,912
	8,466,829	7,942,998
Dividends to participating policyholders (including decrease in provision)	797,772	876,841
Policyholders' investment taxes	119,000	186,000
Group experience rating refunds (including increase in provision)	483,573	49,957
	9,867,174	9,055,796
Operating Expenses	3,127,146	2,932,362
	12,994,320	11,988,158
Operating Revenue Before Income Taxes	845,095	307,621
Provision for Income Taxes	447,000	113,000
Operating Revenue	398,095	194,621
Gain on disposal of securities and real estate	56,365	260,253
Excess of Revenue Before Overprovision of Prior Years' Taxes	454,460	454,874
Overprovision of prior years' taxes	116,436	—
Excess of Revenue for the Year	570,896	454,874

Statement of Unassigned Surplus For the year ended Dec. 31, 1972

	1972 $	1971 $
Unassigned Surplus—beginning of year	7,369,488	7,014,614
Excess of revenue for year	570,896	454,874
	7,940,384	7,469,488
Allocation to contingency reserve	100,000	100,000
Unassigned Surplus—end of year (note 2)	7,840,384	7,369,488

Auditors' Report to the Policyholders and Shareholders

We have examined the balance sheet of The Sovereign Life Assurance Company of Canada as at December 31, 1972 and the statements of revenue and unassigned surplus for the year then ended. Our examination included verification of the cash and investments in bonds and stocks by certificates from the depositories, a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. The reserves and other liabilities under the various assurance and annuity contracts are stated at amounts certified by the company's actuary. In our opinion, based upon our examination and upon the certificate of the company's actuary, these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada applied on a basis consistent with that of the preceding year.

January 29, 1973

McDONALD, CURRIE & CO.
Chartered Accountants

Balance Sheet as at December 31, 1972

	1972 $	1971 $
Assets		
Bonds and debentures, at amortized cost or less (note 1)	24,783,176	22,548,963
Common and preferred stocks, at cost or less (note 1)	3,955,005	3,563,925
First mortgages and agreements for sale on real estate	32,660,793	31,244,424
Loans on policies, secured by cash values	3,889,187	3,806,914
Real estate—		
Purchased for income, at cost, less amounts written off—$112,702 (1971—$94,899)	1,011,751	1,304,554
Cash and short-term investments	1,204,585	2,011,823
Premiums in course of collection	208,241	147,716
Investment income due and accrued	670,124	621,258
Other assets	43,468	123,572
	68,426,330	65,373,149
Liabilities		
Reserves for insurance and annuity contracts	48,267,926	46,669,944
Policyholders' funds on deposit	3,976,799	3,623,830
Policy claims in course of settlement and provision for unreported claims of $365,000 (1971—$335,700)	853,591	791,374
Mortgagors' tax prepayments	671,261	692,156
Premium and other taxes accrued	356,806	266,508
Other liabilities and accruals	145,447	162,143
Provision for dividends to policyholders	1,936,817	1,942,985
Provision for experience rating refunds	546,721	303,727
Staff and agents' pension and insurance funds	1,673,403	1,494,044
	58,428,771	55,946,711
Capital and Surplus		
Capital stock		
Authorized—10,000 shares of $100 each		
Issued—8,406 shares of $100 each of which 27 shares are fully paid (including 3 for which the balance of $75 each was paid during the year) and 8,379 shares are $25 paid	212,175	211,950
Investment reserve	1,000,000	1,000,000
Contingency reserve	850,000	750,000
Shareholders' surplus	95,000	95,000
Unassigned surplus (note 2)	7,840,384	7,369,488
	9,997,559	9,426,438
	68,426,330	65,373,149

Signed on behalf of the board **W. R. Livingston,** Director **J. S. Land,** Director

Notes to Financial Statements For the year ended December 31, 1972

	1972 $	1971 $
1. Valuation of Bonds, Debentures and Preferred and Common Stocks		
Value stated in the balance sheet	28,738,181	26,112,888
Estimated market value	27,398,551	23,821,731
Maximum value at which these securities may be carried as prescribed by the insurance laws of Canada	28,241,797	24,901,847

2. Unassigned Surplus

The shareholders' portion of the unassigned surplus amounts to $2,991,090 (1971—$2,386,408) of which $604,682 (1971—$299,774) represents the shareholders' share of the net increase in unassigned surplus for the year.

Officers and Directors

K. H. MacDonald L. E. Nichol J. S. Land

Officers

Chairman of the Board
L. E. Nichol

President
K. H. MacDonald

Executive Vice-President
J. S. Land

Senior Vice-Presidents
R. E. Campbell
D. W. Maloney
C. W. Neild
F. P. Paradis

Vice-Presidents
A. P. Bolin
J. Y. Buchanan
W. P. Davidson
R. K. Jackson
B. F. London
E. W. McCracken, *Secretary*
S. F. Melloy
C. N. Shanly
W. J. VanWyck

Assistant Vice-Presidents
J. C. Biron
P. J. Brown
G. C. Clerk
W. V. Daly
L. G. Gravel
R. Hemond
W. E. Hoddinott
K. G. Inch
N. V. Keyes
A. S. Mackay
B. S. Mowatt
C. R. Stewart
J. L. Warren

Comptroller
J. J. Tors

Treasurer
S. S. Ilaqua

Directors

Ronald L. Cliff, C.A.
Vancouver, B.C.
President, British Columbia Transformer Co. Ltd.

Frank M. Covert, Q.C.
Halifax, N.S.
Partner, Stewart, MacKeen & Covert

John S. Dewar*
Toronto, Ont.
President, Union Carbide Canada Ltd.

Conrad F. Harrington
Montreal, Que.
Chairman of the Board, The Royal Trust Company

Peter Kilburn*
Montreal, Que.
Chairman, Greenshields Incorporated

David Kinnear
Toronto, Ont.
Chairman of the Board, The T. Eaton Co. Limited

Joseph S. Land*
Toronto, Ont.
Executive Vice-President

Louis A. Lapointe, Q.C.*
Montreal, Que.
Chairman and President, Miron Company Ltd.

Keith H. MacDonald*
Toronto, Ont.
President

Howard T. Mitchell
Vancouver, B.C.
President, Mitchell Press Limited

Lyndon E. Nichol*
Toronto, Ont.
Chairman of the Board and Vice-Chairman of the Executive Committee

John B. Pennefather*
Montreal, Que.
Chairman of the Executive Committee

Joseph H. Ranahan
Montreal, Que.
Retired, former Chairman of the Board

Charles I. Rathgeb
Toronto, Ont.
President, Comstock International Ltd.

Renault S. St-Laurent, Q.C.
Quebec, Que.
Partner, St-Laurent, Monast, Desmeules, Walters & Dubé

Grant E. Wemp
Toronto, Ont.
Honorary Chairman of the Board

Dennis K. Yorath
Edmonton, Alta.
Chairman of the Executive Committee and Vice-President, International Utilities Corp.

*Member of the Executive Committee of the Board as at December 31, 1972

Banks with which lines of credit are established

Canada

The Royal Bank of Canada
Bank of Montreal
Canadian Imperial Bank of Commerce
The Toronto Dominion Bank
Bank Canadian National
The Provincial Bank of Canada
The Mercantile Bank of Canada
The Bank of Nova Scotia
Bank of British Columbia

U.S.A.

Morgan Guaranty Trust Company of New York
Continental Illinois National Bank and Trust Company of Chicago
The Chase Manhattan Bank NA
The First National Bank of Chicago
Bankers Trust Company
First National City Bank
Chemical Bank
Crocker National Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Marine Midland Bank—Western
National Bank of Detroit
National Bank of North America
Security Pacific National Bank
Wells Fargo Bank NA
French American Banking Corporation
Schroder Trust Company
The Northern Trust Company
The Bank of New York

Transfer Agents

Common Stock
Montreal Trust Company
Montreal, Toronto, Regina, Calgary and Vancouver

The Bank of New York
New York

Preferred Stock
The Royal Trust Company
Montreal, Toronto, Regina, Calgary and Vancouver

Registrars

Common Stock
Canada Permanent Trust Company
Montreal and Toronto

The Royal Trust Company
Regina, Calgary and Vancouver

The Bank of New York
New York

Preferred Stock $100 Par Value
Montreal Trust Company
Montreal, Toronto, Regina, Calgary and Vancouver

Preferred Stock $25 Par Value
Guaranty Trust Company of Canada
Montreal, Toronto, Regina, Calgary and Vancouver

Stock Listings

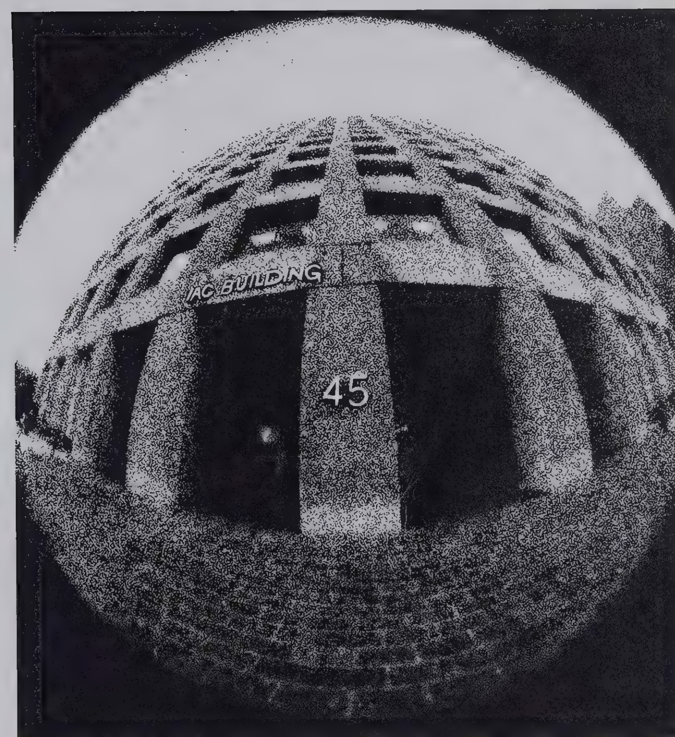
Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange / *Common Stock only*

Auditors

McDonald, Currie & Co.
Toronto, Chartered Accountants

PRINTED IN CANA

IAC Limited Supplement to Annual Report 1972



Officers

Chairman of the Board
L. E. Nichol

President
K. H. MacDonald

Executive Vice-President
J. S. Land

Senior Vice-Presidents
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D. W. Maloney
C. W. Neild
F. P. Paradis

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A. S. Mackay
B. S. Mowatt
C. R. Stewart
J. L. Warren

Comptroller
J. J. Tors

Treasurer
S. S. Ilaqua

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Vancouver, B.C.
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Halifax, N.S.
Partner, Stewart, MacKeen & Covert

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Montreal, Que.
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Peter Kilburn*
Montreal, Que.
Chairman, Greenshields Incorporated

David Kinnear
Toronto, Ont.
Chairman of the Board, The T. Eaton Co. Limited

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Toronto, Ont.
Honorary Chairman of the Board

Dennis K.Yorath
Edmonton, Alta.
Chairman of the Executive Committee and Vice-President, International Utilities Corp.

*Member of the Executive Committee of the Board as at December 31, 1972

IAC LIMITED
HEAD OFFICE - 45 ST. CLAIR AVENUE, WEST, TORONTO, ONTARIO M4V 1K9 (416) 964-2850

This Supplement to the 1972 Annual Report of IAC is intended to provide a more comprehensive record of the financial and operating experience of IAC, the parent company, and its subsidiaries than is required by most readers of our Annual Report. It has been developed mainly to try to assist bankers, institutional investors and investment analysts in the appraisal of securities issued by the IAC organization. It is our hope that shareholders, too, may find this Supplement a useful source of information. Your past comments have been greatly appreciated. Your suggestions for possible modification of the Supplement in the future will be welcomed.

President

March 1973

TABLE OF CONTENTS OF SUPPLEMENT TO IAC LIMITED 1972 ANNUAL REPORT

HISTORY AND OUTLINE OF OPERATIONS

INCORPORATION: HEAD AND EXECUTIVE OFFICES.

1. IAC Limited (formerly Industrial Acceptance Corporation Limited*) was incorporated under the laws of Canada on February 7, 1925. The head office of the Company is at 45 St. Clair Avenue, West, Toronto, Ontario.

*Effective November 2, 1970, the change of name to IAC Limited was authorized by supplementary letters patent.

DEGREE OF CANADIAN OWNERSHIP.

2. At December 31, 1972 of the 12,672 holders of IAC common stock, 96% in number, owning 96% of the approximately 13 million shares* outstanding, were domiciled in Canada. No one shareholder or group of shareholders beneficially owns a controlling interest in IAC or is specially represented in that sense on the Board of IAC or on the Board of any IAC subsidiary.

*Effective May 5, 1969, the common shares were subdivided on a 2 for 1 basis.

BOARD OF DIRECTORS: EXECUTIVE COMMITTEE.

3. There are 16 members of the Board of Directors, 3 of whom are 'inside' or company officers, while the remainder are prominent members of the business communities of Canada's principal cities. In its deliberations the Board thus draws on a broad spectrum of views based on wide ranges of business experience, geographic backgrounds, and knowledge of varying economic conditions.

4. An Executive Committee, consisting of 7 Board Members, 3 of whom are 'inside' directors, functions with broad powers when the Board is not in session. Organization charts showing the Senior Management structure of the principal borrowing companies – IAC and Niagara Finance Company Limited – appear on pages 10 and 11.

STAFF DEVELOPMENT POLICIES.

5. In a labour-intensive service industry such as that carried on by the IAC companies, the development of capable, experienced management, each member with a high standard of integrity, is essential to achieve and maintain those standards of sound, profitable growth required by a company to ensure success over the long term.

6. Always taking care to preserve the proper mix of age groups in top and middle management, it has been the company's policy to develop its own management people rather than acquire them from outside. Exceptions to this policy are made when any basically new activity is undertaken – such as the leasing and lending carried on by the IAC Capital Funds Division, operating The Sovereign Life Assurance Company of Canada, or other activities requiring professional or specialized qualifications.

7. The company will not undertake any expansion of an existing service, or development of a new service, unless adequately trained management is available. At times this policy may have seemed to slow down the rate of growth of the organization, but it is believed that the dangers resulting from expanding beyond the capacity of the available, trained, human resources far outweigh the possible rewards, which would be mainly in the short term.

8. Some idea of the effectiveness of the staff development policies may be obtained from the following table relating to the parent company and to Niagara Finance Company Limited at December 31, 1972.

		Average in years	
	Number	*Service with IAC*	*Age*
IAC – Branch Managers	177	13	37
– Regional Managers	22	20	45
– Officers	31	26	51
Niagara Finance – Supervisory Staff	44	16*	38

*Industry and IAC experience combined.

DIVERSIFICATION POLICIES.

9. The diversification policy of IAC is based on providing a broad range of country-wide financial services, or services functionally related to finance, for Canadians and Canadian business. This policy, while permitting IAC's entry into many fields, retains 'finance and/or financial services' as the common denominator to permit optimum benefits from the experience and training of existing staff, plus the maximum integration of operations and personnel.

10. Diversification outside of Canada has been considered from time to time. Since 1961 Niagara Finance Company Limited has developed a viable consumer loan operation in the United Kingdom and now has 12 branches in major English cities.

RANGE OF SERVICES OFFERED.

11. Throughout Canada, IAC and its subsidiaries offer a wide range of financial services, such as:

Through IAC:

Wholesale and retail sales financing of durable goods and related dealer loans;

Fleet and equipment financing;

Portfolio discounting;

Leasing of revenue-earning and other equipment;

Through subsidiaries:

Consumer instalment loans and appliance sales financing;

Mortgage loans for homeowners;

Purchase of existing mortgages.

Casualty insurance – automobile, physical damage and liability;
– comprehensive cover for home-owners;
– personal liability;

Life insurance – savings annuities, and all types of life coverage.

WHOLESALE SALES FINANCING.

12. The mass production of durables requires a specialized service to finance the movement of the goods from the manufacturer's production lines to the dealer's show-room. This need for wholesale sales financing continues until the dealer makes a sale to a retail buyer. Features of this 'wholesale' service are:

Dealer credit line approval – Before recommending a wholesale credit line for approval, IAC branch managers review carefully trade and other credit reports, together with the dealer's current financial statements and his marketing records for several years. Such credit lines are usually sufficient to cover about 45 to 60 days' estimated sales, have stated expiry dates (usually 1 year), and can be cancelled by IAC for cause at any time. For shipments of units dealers require on wholesale, each dealer must first consult with and obtain specific approval from his local IAC Branch on the basis of either (a) monthly bulk orders of units as described in a 'Dealer Monthly Order List' or (b) on a unit-by-unit basis. IAC works very closely with manufacturers to ensure that dealers maintain a realistic level of inventories in relation to their expected retail sales performance.

On demand conditional sales contract – The dealer's purchase is usually evidenced by a wholesale conditional sales contract, drawn on a demand basis, purchased from the manufacturer by IAC without recourse. About 95% of wholesale volume in 1972 represented motor vehicle financing (1971 : 95%) and the remainder was for mobile homes, home appliances, etc. About 1% of 1972 volume (1971 : 1%) represented used car wholesale which is usually secured by chattel mortgage.

Special wholesale branches – Over 80% of IAC's whole-sale volume is purchased through 2 wholesale branches located in Toronto and Windsor which provide specialized facilities for coordinating manufacturers' shipments to dealers through IAC.

Audits – Merchandise on wholesale is audited at least once every 30 days by IAC staff. This surprise audit includes an actual inspection of units and the check of model and serial numbers against the related wholesale documents. The auditor pays particular attention to the physical condition of units and, if any show damage or signs of unauthorized use, payment of the balance owing on the unit is normally required. If any units are sold and not paid for (sold out of trust) then the dealer has to arrange immediate settlement, unless such units have been sold to any government department or other financially sound institution that settles its accounts payable only at stated intervals. In such cases, an assignment of proceeds is obtained whenever practicable.

Insurance – Merit Insurance Company, a subsidiary of IAC, provides comprehensive insurance coverage (de-livered cost, less $25 deductible) on all new, unused durables on wholesale while on the dealer's premises or in approved storage. Merchandise in transit from the manufacturer to the dealer is also insured by Merit against normal transportation risks. This coverage supple-ments any responsibility of the carrier.

Turnover rate : terms – In general the dealer must pay for merchandise as soon as it is sold. However, when a unit has remained on hand unsold for more than 90 days, the dealer must pay down the wholesale delivered cost, usually by monthly instalments. Thus wholesale volume has a high turnover rate. In 1972 the wholesale volume of $1,112.5 million (1971 : $955.3 million) produced monthly average wholesale receivables outstanding of $184.2 million (1971 : $158.7 million). Turnover rate for the entire wholesale portfolio was 75 days (1971 : 73 days) at year-end.

RETAIL SALES FINANCING.

13. Retail financing is a service providing for the purchase from dealers of receivables (time-payment paper) arising out of retail sales of durable goods such as motor vehicles, revenue-producing machinery, commercial equipment, mobile homes, household appliances, etc. Repayment on such contracts is usually by monthly instalments over varying periods depending on the type of article financed. For 1972, in Canada, over 94% of the retail financing volume and 93% of year-end outstandings originated with IAC – the remaining retail financing originated with and was serviced by Niagara Finance Company Limited. In paragraphs 14 to 18 the remarks and statistics refer to IAC business only.

14. IAC's retail services include 'lease financing' of motor vehicles and equipment. In such transactions IAC generally purchases lease agreements written between a dealer and a leasing company. This security is usually supplemented by an assignment of the related lease agreements. At December 31, 1972 the total of 'lease financing' receivables was $55.1 million (1971 : $59.0 million).

15. In 1972 over 90% of all retail financing contracts purchased were for periods of 36 months or less (1971 : 92%) and monthly collections from outstanding accounts averaged $37.6 million (1971 : $36.1 million).

16. At December 31, 1972 the 190,000 balances outstanding on such receivables averaged $3,369 (1971 : $2,620). The risks were widely spread geographically and diversified as to occupation of the purchaser.

17. The nearly 6,500 authorized dealers, who have sold the durables to the instalment buyer, and from whom IAC has purchased the receivables, are carefully screened for financial responsibility and management competence. Each dealer has authorized retail credit limits and must follow procedures laid down by IAC as to down payments, term of transactions, and investigation of buyers' credit standing. Normally the purchase of a contract of over $5,000 ($10,000 to $25,000 in some special cases at industrial branches) must be approved by a senior credit authority.

18. In addition to the covenant of the buyer, title to the merchandise, and in most cases insurance on the life of the buyer, IAC is usually further protected by a repurchase agreement from the dealer and, in some cases, a portion of the purchase price payable by IAC for the receivable is temporarily withheld as an additional reserve (Dealer credit balances – see page 40). Evidence of adequate casualty insurance coverage is obtained for all major items. As additional protection, in event of 'disability' lasting longer than 30 days, individuals purchasing new and used motor vehicles may, through The Sovereign Life Assurance Company of Canada, a subsidiary of IAC, insure payment of all their instalments while disabled except those due in the first 30 days of disability. The coverage is up to $250 per month for a single contract, or up to $350 per month for multiple contracts. The disability must be due to an accident or illness lasting for longer than 30 days. To partially compensate dealers for their repurchase obligations, IAC provides a "Dealer Protection Plan". All amounts paid under this plan are included in the credit losses summarized on page 29, item C 18.19.

LEASING, COMMERCIAL LOANS, ETC.

19. In August 1960, IAC's charter powers were amended to permit IAC to make loans for general business purposes to individuals or businesses not otherwise customers of IAC. For this purpose the Capital Funds Division was then formed. The Division includes 2 closely associated companies, both wholly-owned by IAC:

- Capital Funds (IAC) Limited;
- Capital Funds (IAC Ontario) Limited.

20. Through offices in Montreal, Toronto, Calgary and Vancouver, this Division functions under its own general manager with its own staff, and specializes in capital assets leasing. Arrangements are made with corporations for the purchase and lease of major units of capital equipment. Frequently, this is done on a master lease basis tailored to the nature of the project, which permits the acquisition of additional items as required. This facility is designed to serve highly credit-worthy business for whom leasing becomes another source of external financing for growth. Usually leases of items costing less than $100,000 are handled by the Industrial Division of the IAC retail sales financing services and/or by IAC general purpose branches.

21. The portfolio of commercial loans and mortgages has been permitted to decline. At the present time it is considered to be more productive to channel the main efforts of the staff of this division into leasing activities.

22. All applications are submitted by Capital Funds Branches to the Division's senior officers for careful investigation from a credit viewpoint and for feasibility by qualified personnel. Real estate security is inspected and appraised (if considered desirable by outside professional appraisers). Where the proposal deals with a manufacturing or other process, an 'in the field' investigation of the prospective client's business will be made by qualified personnel.

23. All transactions are approved centrally by various credit committees authorized to deal with proposals up to certain amounts. The committees include executives from both the Capital Funds Division and IAC. For requests in excess of $3 million, approval by the Executive Committee of the IAC Board of Directors is required.

24. Loans outstanding in the Division are all secured by traditional collateral such as mortgages, floating charges, and so on. Fire insurance with extended coverage is obtained for all requests involving tangibles.

25. For leased assets comprehensive general liability insurance in the amount of $1.5 million, plus $5 million 'Broad form excess coverage' with a $25,000 deductible is carried. Separate coverage has to be obtained for aircraft and for watercraft over 26 feet.

26. The total of transactions made by this Division since its founding in October 1960 to December 31, 1972, was $392.1 million. The amount outstanding at the latter date was $207.5 million (1971 : $161.3 million), represented by 339 (1971 : 343) accounts owed by 198 clients – an average of $612,000 per account (1971 : $470,000). Net losses in this Division have been 0.60% per annum of average outstandings since inception and recoveries exceeded losses by 0.25% in 1972 (1971 : net losses – 0.77%).

CONSUMER INSTALMENT LOANS.

27. Niagara Finance Company Limited (Niagara), incorporated by Ontario letters patent on February 13, 1930, became a wholly-owned subsidiary of IAC in 1946. Under the Small Loans Act, Niagara offers instalment cash loans up to $1,500. In addition, loans up to $5,000 and sometimes more are made, and sales financing facilities largely for the purchase of home goods and recreational equipment are provided. For individual customers, less than 65 years old at the date of a transaction, Niagara makes available to those desiring it, insurance protection on the remaining unpaid balance up to $10,000 including applicable service charges for both (a) life insurance and (b) disability insurance in the event of disability due to accident or illness lasting longer than 30 days. Both types of coverage are underwritten by insurers not connected with the IAC companies.

28. The company has grown steadily from a single office operation to one with 257 branches in Canada and 12 in the United Kingdom. During 1972 the average transaction amounted to $1,050 (1971 : $960) – and the average term was 32.6 months (1971 : 31.8 months). Niagara is the largest Canadian-owned consumer loan company and at December 31, 1972, had over 223,000 customers with receivables of $197 million. Niagara also manages for IAC the affairs of the two mortgage companies mentioned in paragraph 34.

29. Prospective borrowers' credit standing is carefully checked by Niagara personnel using time-tested, reliable sources of information. In general branch managers may approve loans up to $2,500. Limits for more senior managers may vary up to $3,500. Loans over these limits must be approved by district supervisors. With other Canadian consumer loan companies, Niagara co-sponsors non-profit-making lender's exchanges in ten of Canada's major cities to ensure that prospective clients limit their borrowings to a maximum of two loans.

30. Niagara branch offices are managed by people with an average of eight years experience in the industry and are supervised by a group of twenty-six district supervisors. The average length of industry experience of such supervisors is fourteen years. They make frequent impromptu branch visits to appraise the quality of business and the effectiveness of branch management. Such visits are supplemented by inspections of directors of supervision and other head office executives, as well as by the parent company's internal auditors.

31. Careful investigation of loan applications and control of loan approval has limited net losses to 1.35% in 1972 and to 1.17% per annum of average receivables outstanding over the past ten years.

32. Niagara continues to actively participate in the industry's Consumer Credit Education Program, both financially and with 'support people'. These support people assist in the showing and explaining of Consumer Credit Education Program films, which, since inception, have been presented to more than 300,000 students and adults across Canada.

33. Another of Niagara's public relations activities include providing financial support each year to a number of Credit Counselling Service centres which are established in such cities as Toronto, London, Ottawa, St. Catharines, Sudbury, Windsor, Oshawa, Kingston, Kitchener, Sarnia, Sault Ste. Marie and Hamilton.

MORTGAGE LOANS FOR HOMEOWNERS.

34. In 1963 IAC incorporated two wholly-owned subsidiaries, Niagara Mortgage & Loan Company Limited which operated in all provinces other than Ontario and Niagara Realty Limited which operates in Ontario. In 1970 Niagara Mortgage & Loan Company Limited acquired all the outstanding shares of Niagara Realty Limited from IAC. In 1971 Niagara Mortgage & Loan Company Limited changed its name to Niagara Realty of Canada Limited (NR).

35. From 237 locations in major cities across Canada both companies offer first and second mortgage financing on residential properties and also purchase existing mortgages. Individual loans generally do not exceed $25,000, with repayment schedules up to twenty years. In 1972 the average mortgage written was $8,063 (1971 : $7,127) and the average term was 130 months (1971 : 123 months). As at December 31 receivables amounted to $94 million (1971 : $76 million).

36. Pursuant to arrangements made in 1964 with The Royal Trust Company the companies participated in combined or high-ratio mortgages. By reason of recent legislation enabling trust companies to make high-ratio insured mortgage loans, such participation was discontinued.

37. The credit standing of all prospective borrowers is carefully checked from reliable sources of information. In addition, each property is inspected and appraised. In general, branch managers may approve mortgages up to $7,500. Limits for more senior managers vary up to $12,500. Mortgages over these limits are approved by senior officials of the companies

38. The operation of the two mortgage companies is administered by supervisors of Niagara, operating out of six regional offices across Canada. The supervisors make regular and impromptu branch visits to appraise the quality of business and the effectiveness of branch management. Other visits by senior executives back up these inspections.

39. Sound appraisals, together with careful investigation of mortgage applications have limited net losses for 1972 to $89,629 (1971 : $64,721). Net losses since inception in 1963 have been 0.11% per annum of average outstandings and were .11% for 1972 (1971 : 0.10%).

CASUALTY INSURANCE.

40. Merit Insurance Company was federally incorporated in 1953. IAC owns all the issued shares of Merit except those held by the directors for qualifying purposes. Merit offers many lines of general insurance such as automobile, residential fire and commercial lines to the public through its representatives in principal cities across Canada. As planned, writing motor vehicle coverage for the parent company's retail automobile sales financing activities was phased out in 1972. At December 31, 1972, Merit had 77,100 policies in force (1971 : 80,500) of which approximately 58% (1971 : 66%) were for motor vehicles. Merit's audited financial statements are reproduced in the 1972 Annual Report and a condensed statement of Merit's operating results appears on page 42 of this Supplement.

LIFE INSURANCE.

41. The Sovereign Life Assurance Company of Canada was incorporated in 1902 and acquired by IAC in December 1962. IAC owns all the issued shares of Sovereign excluding those owned by the directors for qualifying purposes. Sovereign contributes to the IAC integrated services concept through the sale of all the usual forms of ordinary and term life insurance, of guaranteed annuities, and provides estate planning services. Sovereign also underwrites group creditor life insurance for IAC's retail sales finance customers and for clients of the two Niagara mortgage companies. At December 31, 1972, of Sovereign's assets of $68.4 million, 47.7% (1971 : 47.8%) was invested in conventional mortgages on Canadian residential and commercial properties, and 42.0% (1971 : 39.9%) in Canadian bonds and equities. Sovereign's audited financial statements are reproduced in the 1972 Annual Report and other relevant information appears on page 31 of this Supplement. As already stated on page 6, para. 18, Sovereign offers an optional 'payment protector plan' to individual purchasers of new and used motor vehicles, in event of disability due to accident or illness lasting longer than 30 days. Sovereign also underwrites certain types of group insurance for the customers of concerns unrelated to the IAC organization.

MORTGAGE INSURANCE.

42. In 1972 in collaboration with three other major financial institutions, IAC formed The Sovereign Mortgage Insurance Company whose primary business is insuring of high ratio mortgage loans. The company started business in March 1973.

INTERNAL CONTROLS.

43. Internal control of IAC and its subsidiaries is exercised by such means as:

(a) **The management organization structure** – part of which is outlined for IAC and for Niagara by the charts shown on pages 10 and 11. The management organization structures are constantly modified to cope with the effects of innovation in services or in administration. In mid-1969 IAC adopted a decentralized divisional concept of management consisting of 6 divisions as follows:

- Western – 4 Western provinces and Northwest Ontario;
- Ontario – except for Northwest branches;
- Quebec – including certain branches in New Brunswick;
- Atlantic – including the remainder of the New Brunswick branches and those in Newfoundland, Nova Scotia and Prince Edward Island;
- Industrial – covering all industrial business at all branches across Canada;
- Capital Funds – see para. 20.

(b) **A carefully organized credit approval system** – which is flexible enough to leave routine smaller credit decisions to be made at branch level and yet have more important decisions approved without undue delay by the appropriate company officers (see paragraphs 12-17-22-23-29-37-43(a)).

(c) **Inspections by senior officials** – For the parent company, there are 10 geographical regions (1971 : 10) each headed by a Regional Manager – Credit and Operations (RMCO), and a Business Development Manager constantly working in the field. As a matter of general policy, the RMCO makes a minimum of one thorough inspection of each branch in his region each year, and more often if required. During 1972, all branches in all regions were inspected at least once. These credit and other inspections are backed up by visits by Division Vice-Presidents as well as by other Senior Executives. Niagara and Merit offices are similarly inspected and controlled. The operations of Sovereign Life are closely supervised by the Department of Insurance, Ottawa.

(d) **An internal audit department** – Teams of internal auditors, under the direction of the Chief Internal Auditor, usually audit each IAC branch at least once yearly. Beginning in 1968 Niagara adopted a new policy for its separate branches whereby such branches are usually only audited in alternate years. From 1968

onwards there were no audits of Merit Regional Offices because all underwriting and claims were then centralized under Head Office control. The programs of the Internal Audit Department are dovetailed with those of the external public auditors and both internal and external auditors work closely together. Internal audit reports are presented to as high a level of management as is necessary to ensure corrective action. Such reports are also read by the external auditors, who visit some branches in the field each year and appraise the performance of *each team* of internal auditors. In 1968 a program of operational or functional auditing was started. This program already covers many aspects of EDP and, as staff is trained, will gradually be expanded to other 'non-branch' functions, in addition to covering the EDP area more completely.

(e) **An expense budgeting and cost control program** – company by company, branch by branch and cost-centre by cost-centre. One of the largest expense factors is cost of personnel. To control this expense and yet ensure that fair remuneration is paid for each job, in 1967 a salary administration program was set up. The characteristics and responsibilities of all jobs and the appropriate remuneration scales are under constant survey by an internal review board advised by outside consultants.

(f) **An electronic computer system** – which permits central billing, listing, and checking of receivables as acquired; company-wide control of rates, yields, renewals, rebates, extensions and delinquency on uniform standards, and the accurate and conservative calculation of unearned income as outlined in section C54 on pages 40 to 42.

(g) **Insurance coverage** – IAC adequately insures, usually with outside insurers, all assets owned. The coverage also includes: $1.5 million comprehensive general liability for bodily and personal injury, property damage, and tenants' legal liability, plus $5 million 'broad form excess'*; $1 million for employee fidelity*; $500,000 for any fraudulent contracts purchased from dealers*; and up to $75,000 for any one dwelling for mortgage impairment on security held by the 2 Niagara mortgage companies. For goods underlying sales finance contracts such as motor vehicles, industrial equipment, and all other major items, assignment of adequate insurance coverage is obtained. Except in the case of wholesale (paragraph 12), more than two-thirds of such cover is effected with outside companies – outside coverage is invariably obtained for assets collateralizing transactions by the Capital Funds Division.

*$25,000 deductible.

BORROWING OPERATIONS.

44. The procurement of funds for the IAC companies is very carefully planned and controlled by the Finance Committee of the parent company, the members of which are, for the most part, Senior Executives. The preparation and comparison of yearly and longer term forecasts of funds required are supplemented by quarterly, monthly, weekly, and daily checks and comparisons of actual borrowing with the related forecasts.

45. IAC and its subsidiary, Niagara borrow in the short, medium and long term markets in both the USA and in Canada. In 1972 Niagara arranged for a line of credit in sterling for the use of its branches in the United Kingdom. Liquidity reserve policies, maturities, significant covenants, etc., are shown on pages 33 to 39 and in Appendix B.

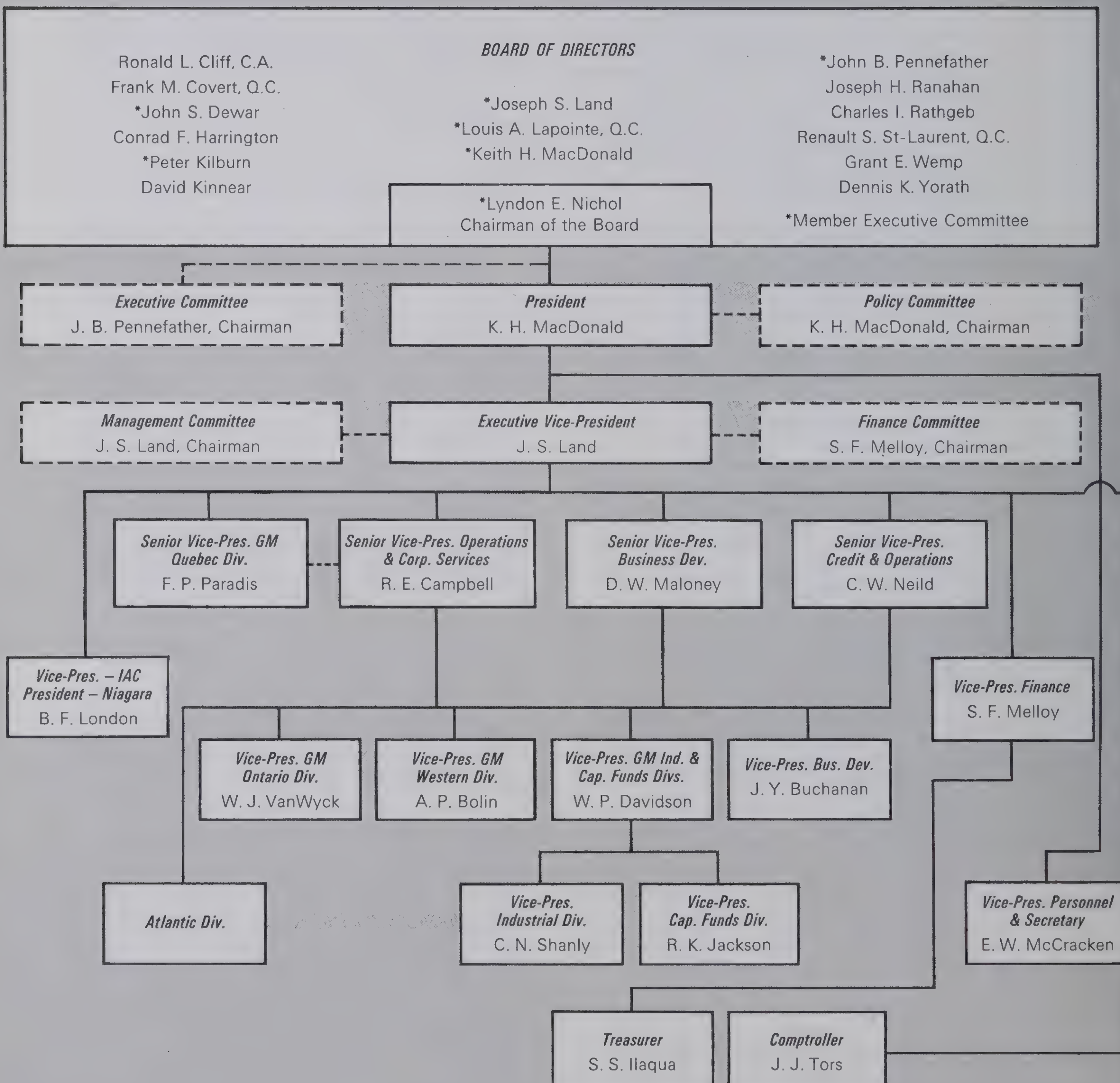
46. Niagara Realty of Canada Limited, under a Deed of Trust and Mortgage in favour of The Canada Trust Company, has issued three series of long term secured notes totalling $45 million. These notes are guaranteed by IAC Limited (Appendix B, paragraph 17).

INTER-COMPANY BORROWING, ETC., POLICIES.

47. IAC policy prohibits 'lending upstream' – in other words, IAC, the parent company, does not borrow from subsidiaries. Moreover, subsidiaries are not permitted to invest in IAC securities, either by way of debt instruments, or of preferred or common stock.

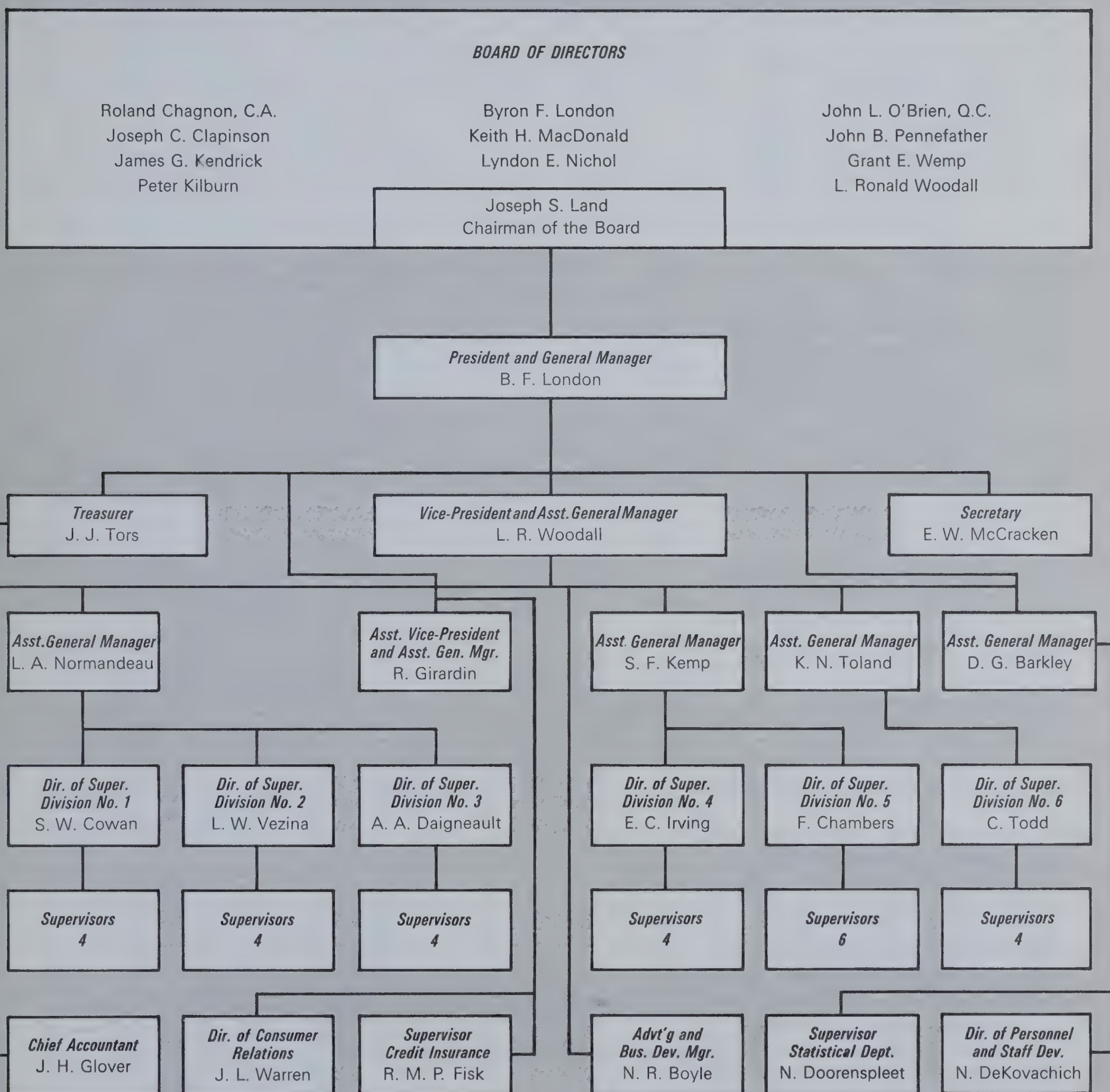
IAC LIMITED

ORGANIZATION CHART — SENIOR MANAGEMENT



NIAGARA FINANCE COMPANY LIMITED

ORGANIZATION CHART — SENIOR MANAGEMENT



CONSOLIDATED STATEMENT OF EARNINGS

five years to December 31, 1972

Schedule A

No.		Millions of Canadian dollars 1972	1971	1970	1969	1968	Percent. ± previous year 1972	1971	1970	1969	1968
1.	AVERAGE ASSETS EMPLOYED:*	1,288.7	1,179.3	1,155.5	1,109.3	1,020.1	+ 9.3	+ 2.1	+ 4.2	+ 8.7	+ 8.2
2.	GROSS INCOME (Note 1):	147.6	138.5	143.2	136.3	122.5	+ 6.6	− 3.3	+ 5.1	+11.3	+12.3
	EXPENDITURES:										
	Cost of borrowed money (Note 2):										
	Secured demand and term notes:						Percent. of Gross Income No. 2				
3.	Interest, including bank interest	46.4	43.2	51.5	47.7	40.2	31.4	31.2	36.0	35.0	32.8
4.	Commissions and other charges	1.5	1.9	2.0	1.6	1.6	1.0	1.3	1.4	1.1	1.3
5.	Total money cost, secured notes	47.9	45.1	53.5	49.3	41.8	32.4	32.5	37.4	36.1	34.1
	Debentures:										
6.	Interest	7.8	7.8	7.7	7.0	7.6	5.3	5.6	5.3	5.2	6.2
7.	Other charges	0.2	0.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.2
8.	Gain on debenture purchase and sinking fund operations, deduct	0.0	0.2	0.7	0.4	0.6	0.0	0.1	0.4	0.3	0.5
9.	Total money cost, debentures	8.0	7.8	7.2	6.7	7.2	5.5	5.6	5.0	5.0	5.9
10.	*Total cost of borrowed money:* 5, 9	55.9	52.9	60.7	56.0	49.0	37.9	38.1	42.4	41.1	40.0
	Casualty insurance subsidiary:										
11.	Claims incurred	6.7	6.5	7.3	8.4	6.8	4.6	4.7	5.1	6.2	5.6
12.	General and administrative expenses (Note 3):	43.2	40.7	40.9	40.2	36.8	29.3	29.4	28.6	29.5	30.0
13.	TOTAL EXPENDITURE: 10, 11, 12	105.8	100.1	108.9	104.6	92.6	71.8	72.2	76.1	76.8	75.6
14.	Pre-tax earnings: 2 less 13	41.8	38.4	34.3	31.7	29.9	28.2	27.8	23.9	23.2	24.4
15.	Income taxes, deduct (see 26)	20.4	19.3	17.6	16.4	15.4	13.8	13.9	12.3	12.1	12.6
16.	Balance: 14 less 15	21.4	19.1	16.7	15.3	14.5	14.4	13.9	11.6	11.1	11.8
							Percent. ± previous year				
17.	IAC portion of increase in unassigned surplus of life assurance subsidiary:	0.6	0.3	0.2	0.2	0.1	+101.7	+20.9	+ 5.4	+81.2	+530.9
18.	EARNINGS BEFORE SPECIAL ITEMS: 16, 17	22.0	19.4	16.9	15.5	14.6	+ 13.3	+15.1	+ 8.9	+ 5.0	+11.0
19.	Special items (Note 4)	—	—	—	—	0.3	—	—	—	—	−72.2
20.	EARNINGS: 18, 19	22.0	19.4	16.9	15.5	14.9	+ 13.3	+15.1	+ 8.9	+ 3.7	+ 5.1
21.	Preferred dividends, deduct	1.0	1.0	1.1	1.1	1.1	− 2.8	−1.4	− 3.5	− 2.4	− 1.8
22.	EARNINGS APPLICABLE TO COMMON SHARES	21.0	18.4	15.8	14.4	13.8	+ 14.2	+16.3	+ 9.9	+ 4.2	+ 5.8
23.	Net per common share: daily average o/s:	$ 1.65	1.50	1.30	1.19	1.15	+ 10.0	+15.4	+ 9.2	+ 3.5	+ 5.5
24.	Amount per share, special items (Note 4)	—	—	—	—	0.02	—	—	—	—	−75.0
							Other percentages				
25.	Per cent of 22 paid out as dividend						51.3	53.3	55.6	58.5	56.4
26.	Per cent income taxes (15) of pre-tax earnings (14) – (page 40)						48.8	50.2	51.5	51.9	51.5
27.	Per cent p.a. earnings (20) of average assets employed (1)						1.71	1.65	1.46	1.40	1.46
28.	Per cent p.a. earnings applicable to common shares (22) of average common shareholders' equity						13.84	13.52	12.47	12.05	12.10

No.	Number of times (page 16, note 6):		1972	1971	1970	1969	1968
29.	Interest on secured term notes and debentures, earned (IAC, NFC & NR)	Times	2.55	2.54	2.45	2.57	2.71
30.	Interest on debentures, earned (IAC only)	"	6.46	5.90	5.81	6.16	5.22
31.	Interest on debentures, earned (NFC only)	"	10.72	22.20	18.80	17.20	18.23
32.	Interest on subordinated debentures, earned (IAC only)	"	37.76	25.79	23.19	20.59	17.57
33.	All interest and fixed charges covered by pre-tax earnings of parent, plus dividends received from subsidiaries**	"	1.66	1.62	1.51	1.52	1.54

*Calculation based on the five quarter-end average of audited consolidated assets.
**In accordance with requirements of the New York State insurance laws.

Schedule B

		Millions of Canadian dollars				
(1)	Analysis of gross income:	1972	1971	1970	1969	1968
	Sales finance, including dealer loans	79.7	78.8	85.1	83.0	71.9
	Consumer loans	30.4	29.6	29.2	27.9	28.3
	Residential mortgages	11.4	9.4	7.3	5.9	4.5
	Commercial loans and leasing	19.0	15.4	13.7	10.8	10.6
	Total earned service charges, etc.	140.5	133.2	135.3	127.6	115.3
	Provision for doubtful receivables, deducted	4.5	7.3	6.3	5.5	6.5
	Balance	136.0	125.9	129.0	122.1	108.8
	Earned casualty insurance premiums	9.7	9.5	10.3	10.6	10.3
	Investment earnings:					
	Associated companies	—	—	—	—	—
	Other: mainly from marketable securities and commercial paper	1.9	3.1	3.9	3.6	3.4
	Total Gross Income: page 12, No. 2	147.6	138.5	143.2	136.3	122.5
(2)	**Total cost of borrowed money includes:**					
	(a) Total short-term money cost	14.2	14.5	23.1	24.2	19.7
	(b) Total money cost other than short-term	41.7	38.4	37.6	31.8	29.3
	(c) Total cost of borrowed money — page 12, No. 10	55.9	52.9	60.7	56.0	49.0
	(d) Amortization of debt discount and expense, included in (c) above					
	For debt maturing within 365 days	10.3	9.5	10.0	8.9	7.1
	For debt maturing after 365 days	1.1	0.8	0.9	0.7	0.6
	Total — page 32, C30.05	11.4	10.3	10.9	9.6	7.7
(3)	**General and administrative expenses** include the following items:					
	Personnel costs including pension plan (page 43, C66.12)	22.1	22.0	22.1	21.6	20.0
	Directors' fees and remuneration including 'inside' directors	0.5	0.4	0.4	0.4	0.4
	Amount paid to third parties under lease agreements	2.2	1.9	1.7	1.6	1.5
	Amortization of leasehold improvements etc. (page 32, C29.12)	0.4	0.3	0.2	0.2	0.2
	Depreciation of premises and equipment (page 32, C31.05, Col. 4)	1.0	0.8	0.8	0.8	0.8
	Research and development of new services or methods of operations	0.3	0.4	0.4	0.4	0.3

		Thousands of Canadian dollars				
(4)	**Special items:**	1972	1971	1970	1969	1968
	Tax-loss carry-forward relief	—	—	—	—	278
	Gains (losses) on sale of fixed assets	—	—	—	—	—
	Total special items — page 12, No's. 19, 24	—	—	—	—	278

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

five years to December 31, 1972

		Millions of Canadian dollars				
No.		1972	1971	1970	1969	1968
1.	Earnings for the year	22.0	19.4	16.9	15.5	14.9
2.	Dividends on preferred shares, deduct	1.0	1.0	1.1	1.1	1.1
3.	Earnings applicable to common shares	21.0	18.4	15.8	14.4	13.8
4.	Dividends on common shares, deduct	10.8	9.8	8.8	8.4	7.8
5.	Earnings retained in the business, 3 less 4	10.2	8.6	7.0	6.0	6.0
6.	Gain on preferred shares purchased for cancellation, add	0.0	0.1	0.2	0.0	0.1
7.	Prior year gains (losses) Note	—	—	—	—	(0.3)
8.	Elimination of excess of purchase price over book value at dates of acquiring shares of certain subsidiaries	—	—	—	1.4	—
9.	Retained earnings at beginning of year	106.3	97.6	90.4	85.8	80.0
10.	Retained earnings at end of year	116.5	106.3	97.6	90.4	85.8
11.	Amount included in 10, set aside by law, equal to par value of preferred shares purchased for cancellation and not available for dividend purposes	5.9	5.7	5.2	4.3	3.8

NOTE: Year 1968 - prior period loss on adoption of tax allocation accounting for Merit Insurance Co. (page 43, C58);

Assets

Schedule C

No.		Page	December 31 Millions of Canadian dollars 1972	1971	1970	1969	1968
	CURRENT ASSETS						
1.	Cash	17	28.2	30.6	26.5	26.3	17.1
	Receivables –						
2.	Motor vehicles – wholesale	17	195.6	161.7	122.2	130.0	151.0
3.	Diversified wholesale	18	19.7	15.4	14.9	8.8	6.5
4.	Sales financing – wholesale: Total	18	215.3	177.1	137.1	138.8	157.5
5.	Motor vehicles – retail	19	368.3	295.8	316.7	352.2	319.2
6.	Industrial and commercial equipment – retail	19	116.9	116.6	111.0	113.0	110.1
7.	Diversified retail*	20	121.7	104.6	106.1	101.2	81.5
8.	Sales financing – retail: Total	20	606.9	517.0	533.8	566.4	510.8
9.	Dealer loans	22	19.4	17.8	16.6	16.8	17.5
10.	Consumer loans	23	173.5	159.1	155.6	152.7	149.0
11.	Residential mortgages	25	94.2	76.0	62.6	52.0	42.0
12.	Commercial loans	26	2.0	4.5	6.7	9.2	10.9
13.	Commercial mortgages	26	29.3	35.0	49.4	57.6	69.6
14.	Leasing	26	220.7	147.6	117.1	77.6	39.8
15.	Other	28	1.3	0.9	0.8	0.9	0.9
16.	Property, vehicles and equipment held for sale	28	1.4	2.2	3.3	3.5	3.0
17.	Sub-total: 4, 8, 9-16		1,364.0	1,137.2	1,083.0	1,075.5	1,001.0
18.	Allowance for doubtful receivables, deducted	29	(16.6)	(16.3)	(14.5)	(14.4)	(14.1)
19.	Sub-total: 17-18		1,347.4	1,120.9	1,068.5	1,061.1	986.9
20.	Income taxes recoverable	30	4.0	—	—	—	—
21.	TOTAL RECEIVABLES	—	1,351.4	1,120.9	1,068.5	1,061.1	986.9
22.	**Marketable securities** – at cost or amortized values plus accrued interest. Quoted value ($ millions) 1972 $23.5; 1971: $24.4	30	24.2	26.0	24.2	39.5	41.1
23.	**Commercial paper receivable**	30	9.4	37.5	37.5	8.9	13.6
24.	Sub-total: 22, 23	—	33.6	63.5	61.7	48.4	54.7
25.	TOTAL CURRENT ASSETS: 1, 21, 24	—	1,413.2	1,215.0	1,156.7	1,135.8	1,058.7
	OTHER ASSETS AND DEFERRED CHARGES:						
26.	Cash committed for debenture and preferred stock retirement	31	0.5	0.4	0.5	0.7	0.3
27.	Investment in life assurance subsidiary (Note 1)	31	5.6	4.9	4.6	4.4	4.2
28.	Investment in other companies – at cost	31	2.2	0.7	0.7	0.6	0.6
29.	Leasehold improvements and prepaid expenses	31	2.4	1.8	1.7	1.1	0.8
30.	Unamortized debt discount and expense (Note 2)	32	8.0	6.1	8.4	5.7	6.5
31.	Premises and equipment – at cost	32	9.5	8.9	9.2	9.2	8.9
32.	Accumulated depreciation on (31), deduct	32	(5.2)	(4.9)	(5.1)	(5.2)	(5.0)
33.	Excess of purchase price over book value at dates of acquiring shares of certain subsidiaries	33	—	—	—	—	1.4
34.	OTHER ASSETS AND DEFERRED CHARGES: TOTAL†	—	23.0	17.9	20.0	16.5	17.7
35.	TOTAL ASSETS: 25, 34	—	1,436.2	1,232.9	1,176.7	1,152.3	1,076.4
	*No. 7 includes (a) retail sales finance balances of consumer loan subsidiary (see page 21. Note C8.01) (b) instalment receivables of Merit Insurance Company, and (c) staff accounts with an average balance of $2,272.		26.5	21.6	20.9	22.8	21.2
	†Percentage that 'Other Assets etc.' (No. 34) is of 'Total Assets' (No. 35)		1.6%	1.5%	1.7%	1.4%	1.6%

Liabilities: Shareholders' equity

Schedule C

			December 31				
			Millions of Canadian dollars				
No.	CURRENT LIABILITIES	Page	1972	1971	1970	1969	1968
40.	Secured demand bank loans	33-39	26.5	26.0	25.0	31.4	42.6
41.	Secured short-term notes	33-39	314.0	248.8	236.3	272.4	254.8
42.	Total secured demand and short-term notes	—	340.5	274.8	261.3	303.8	297.4
43.	Accounts payable and accrued liabilities	39	77.3	49.6	36.4	34.9	35.2
44.	Income taxes	40	0.9	5.1	0.2	(0.5)	1.7
45.	Dealer credit balances	40	16.3	16.3	16.3	16.1	15.1
46.	TOTAL CURRENT LIABILITIES	—	435.0	345.8	314.2	354.3	349.4
	MEDIUM AND LONG-TERM DEBT						
47.	Secured medium-term notes	33-39	169.5	149.6	148.4	123.5	107.5
48.	Secured long-term notes	33-39	351.0	312.7	313.5	306.1	271.0
49.	Total secured medium and long-term notes	33-39	520.5	462.3	461.9	429.6	378.5
50.	Debentures	33-39	100.6	93.9	96.8	87.5	95.9
51.	Subordinated debentures	33-39	12.5	19.8	21.5	22.4	23.6
52.	Total medium and long-term debt	33-39	633.6	576.0	580.2	539.5	498.0
53.	Total consolidated debt: 42, 52	—	974.1	850.8	841.5	843.3	795.4
	UNEARNED INCOME						
54.	Service charges	40	114.6	93.9	91.2	86.6	72.9
55.	Casualty insurance premiums	42	4.4	4.2	4.5	4.8	4.7
56.	Total unearned income	—	119.0	98.1	95.7	91.4	77.6
57.	UNREALIZED FOREIGN EXCHANGE GAIN	42	7.9	7.2	—	—	—
58.	DEFERRED INCOME TAXES	43	61.2	44.9	36.0	23.7	13.1
59.	TOTAL LIABILITIES: 46, 52, 56, 57, 58	—	1,256.7	1,072.0	1,026.1	1,008.9	938.1
	SHAREHOLDERS' EQUITY						
60.	Preferred shares	48	19.1	19.3	19.8	20.7	21.1
61.	Common shares (Note 3)	49	43.9	35.3	33.2	32.3	31.4
62.	Total preferred and common shares	—	63.0	54.6	53.0	53.0	52.5
63.	Retained earnings	13	116.5	106.3	97.6	90.4	85.8
64.	TOTAL SHAREHOLDERS' EQUITY	—	179.5	160.9	150.6	143.4	138.3
65.	TOTAL LIABILITIES & EQUITY: 59, 64	—	1,436.2	1,232.9	1,176.7	1,152.3	1,076.4

NOTES: See 1972 Annual Report for notes to financial statements.

(1). Principles of consolidation –

The statements consolidate the accounts of the company and its subsidiaries with the exception of those of The Sovereign Life Assurance Company of Canada. The nature of the business of this subsidiary does not permit a meaningful presentation in the consolidation. The investment in its shares is stated at cost plus the parent company's portion of the increase in the unassigned surplus of the subsidiary since its acquisition in December 1962.

(2). Unamortized debt discount and expense –

Commissions, discounts and other expenses incurred in connection with short, medium and long-term notes and all classes of debentures are deferred to be amortized over the term of the related debt instrument.

(3). **Common shares reserved** for issue to officers and employees and for warrants, etc.: 1972 – 821,163; 1971 – 1,419,024; 1970 – 1,593,422; 1969 – 1,664,555; 1968 – 1,747,314; page 51, Appendix C. Effective May 5, 1969, the common shares were subdivided on a 2 for 1 basis.

(4). **Leverage pattern – all debt**: page 35, C53.081.

(5). **Comparison of maturities of gross receivables with payables**: page 45, Appendix A.

(6). **No. of times interest and charges earned**: (a) On actual basis – page 12, items 29 to 32. (b) Assuming full year's interest on new issues during each year (Schedule A, page 12):

ITEM		1972	1971	1970	1969	1968
29 Interest on secured term notes and debentures, earned (IAC, NFC & NR)	Times	2.44	2.47	2.42	2.47	2.63
30 Interest on debentures, earned (IAC only)	"	6.46	5.90	5.49	6.16	5.22
31 Interest on debentures, earned (NFC only)	"	8.32	22.20	18.80	17.20	18.23
32 Interest on subordinated debentures, earned (IAC only)	"	37.76	25.79	23.19	20.59	17.57

(7). **No. of months' collections required to repay all secured debt**: page 36, C53.094.

(8). **Commitments and contingent liabilities**: page 43, C66, C67.

C 1 CASH

		1972 Exchange rate	1972 Amount Cdn $000's	1971 Exchange rate	1971 Amount Cdn $000's
C 1.01	Canadian $'s	Par	12,284	Par	14,905
.02	US $'s	Cdn $0.99½	15,003	Cdn $1.00¼	15,279
.03	Sterling £'s	Cdn $2.35	915	Cdn $2.55¾	454
.04	Total cash		28,202		30,638

Note: Bank Credit Lines

		1972 Exchange rate	1972 Amount: Cdn $000's Regular	1972 Amount: Cdn $000's Stand-by	1971 Exchange rate	1971 Amount: Cdn $000's Regular	1971 Amount: Cdn $000's Stand-by
C 1.05	Canadian $'s	Par	113,000	—	Par	112,000	—
.06	US $'s	Cdn $0.99½	105,470	44,775	Cdn $1.00¼	106,265	45,113
.07	Total Bank Credit Lines		218,470	44,775		218,265	45,113
.08	Grand total of C1.07 (Note)		263,245			263,378	
.09	Bank Credit Lines used at December 31 (page 34, C53.039/042)		26,527			26,000	

Note: There is no formal arrangement with bankers whereby loans must show a 'nil' balance at any time.

C 2 RECEIVABLES – MOTOR VEHICLES, WHOLESALE

		1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Outstanding:						
C 2.01	At end of year: % amount ± prev. yr.	54,978	195,629	+21.0	48,595	161,672	+32.3
.02	Month-end average during year: " " "	—	162,469	+13.1	—	143,668	+9.7
.03	At highest month-end (Month 1972 Dec.: 1971 Dec.)	54,978	195,629	—	48,595	161,672	—
.04	At lowest month-end (Month 1972 Aug.: 1971 Jan.)	38,252	120,898	—	40,873	124,974	—
.05	New vehicles: % amount of C2.01	53,619	193,364	98.8	46,595	158,877	98.3
.06	" over 3 months: " " C2.05	9,383	33,804	17.5	9,630	33,558	21.1
.070	" sold out of trust*: " " C2.05	1,153	5,213	2.7	1,144	4,735	3.0
.071	" " —assignment of proceeds held: % C2.05	688	3,079	1.6	770	3,144	2.0
.08	" no. of days inventory on hand yr. end		68 days			70 days	
.09	Used vehicles: % amount of C2.01	1,359	2,265	1.2	2,000	2,795	1.7
.10	" over 3 months: " " C2.09	393	598	26.4	593	806	28.8
.110	" sold out of trust*: " " C2.09	24	32	1.4	2	2	0.1
.111	" " —assignment of proceeds held: % C2.09	0	0	0.0	1	1	0.0
.12	" no. of days inventory on hand yr. end		101 days			99 days	

*Sold out of trust items are those found on audit to have been sold and not paid for (See page 5, para. 12 – Audits)

		1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Field audits:						
.13	Average frequency: at least one every		30 days			30 days	
	Volume:						
.14	New acquired: % amount of C2.16	304,622	1,048,504	99.0	282,993	903,477	98.6
.15	Used acquired: " " C2.16	7,616	10,553	1.0	10,279	12,638	1.4
.16	Total acquired: " " ± prev. yr.	312,238	1,059,057	+15.6	293,272	916,115	+30.6
.17	Total acquired (C2.16) ÷ year-end o/s (C2.01)		5.4 times			5.7 times	
	Billing:						
.18	Frequency of billing for wholesale charges: every		30 days			30 days	

Losses: See C 18 on page 29.

		1972			1971		
C 3	**RECEIVABLES — DIVERSIFIED WHOLESALE**	No.	Amount $000's	%	No.	Amount $000's	%
	Outstanding:						
C 3.01	At end of year: % amount ± prev. yr.	4,244	19,660	+27.2	4,620	15,458	+3.5
.02	Month-end average during year: " " " "	—	21,697	+43.9	—	15,077	+70.2
.03	At highest month-end (Month-1972 Apr.: 1971 Apr.)	4,084	19,805	—	3,963	17,178	—
.04	At lowest month-end (Month-1972 Jan.: 1971 Sept.)	4,071	16,091	—	4,125	13,133	—
.05	Over 3 months: % C3.01	1,922	6,990	35.6	1,892	6,962	45.0
.060	Sold out of trust: % C3.01	43	269	1.4	55	177	1.1
.061	" " assignment of proceeds held: % C3.01	2	15	0.1	17	108	0.7
.07	No. of days inventory on hand yr. end		189 days			152 days	
	Field audits:						
.08	Average frequency: at least one every		30 days			30 days	
	Volume:						
.09	Acquired: % amount ± prev. year	11,929	53,460	+36.5	13,015	39,176	+5.1
.10	Total acquired: (C3.09) ÷ year-end o/s (C3.01)		2.7 times			2.5 times	
	Billing:						
.11	Frequency of billing for wholesale charges		30 days			30 days	
	Losses: See C18 on page 29.						

		1972			1971		
C 4	**RECEIVABLES — SALES FINANCING WHOLESALE: TOTAL**	No.	Amount $000's	%	No.	Amount $000's	%
	Outstanding, all categories:						
C 4.01	At end of year: % amount ± prev. yr.	59,222	215,289	+21.5	53,215	177,130	+29.2
.02	Month-end average during year: " " " "	—	184,166	+16.0	—	158,745	+13.6
.03	At highest month-end (Month-1972 Dec.: 1971 Dec.)	59,222	215,289	—	53,215	177,130	—
.04	At lowest month-end (Month-1972 Aug.: 1971 Aug.)	42,267	147,274	—	43,453	141,221	—
.05	Over 3 months: % amount of C4.01	11,698	41,392	19.2	12,115	41,326	23.3
.060	Sold out of trust: " " "	1,220	5,514	2.6	1,201	4,914	2.8
.061	" —assignment of proceeds held: " " "	690	3,094	1.4	788	3,253	1.8
.07	No. of days inventory on hand: yr. end (Note):		75 days			73 days	
.08	" " " " : mth. end average during yr. (Note)		68 days			62 days	
	Volume:						
C 4.09	Acquired: % amount ± prev. year	324,167	1,112,517	+16.5	306,287	955,291	+29.3
.10	Total acquired (C 4.09) ÷ by year-end o/s (C4.01)		5.2 times			5.4 times	

		1972 — September 30			1971 — December 31		
		Millions of dollars		%	Millions of dollars		%
	Share of market:	Canada*	IAC	IAC	Canada*	IAC	IAC
C 4.11	Acquired during period	2,800	764	27.3	3,864	960	24.8
.12	Outstanding end of period	706	160	22.7	725	175	24.1

*Latest Statistics Canada data for Sales Finance Companies in Canada.

		Wholesale: Month-end balance			Dealer Loan Balance Dec. 31		Retail outstanding Dec. 31	
	Ten largest wholesale accounts including affiliations — $000's:	1972 High	1972 Low	1972 Dec. 31	1972	1971	1972	1971
C 4.13	A	2,705	1,526	2,705	157	169	1,532	339
.14	B	3,028	1,491	2,617	—	15	1,703	1,229
.15	C	2,630	1,644	2,483	252	536	2,050	1,501
.16	D	2,185	946	2,185	283	299	1,016	298
.17	E	2,041	874	1,877	742	777	1,727	978
.18	F	1,906	747	1,829	—	—	1,025	1,054
.19	G	2,216	1,119	1,644	187	200	1,052	769
.20	H	1,707	657	1,567	66	80	1,210	1,095
.21	I	2,038	1,060	1,414	274	292	972	531
.22	J	1,390	560	1,390	—	—	4,513	3,690

Notes: C4.07 — Turnover rate at which credits in December would have liquidated the year-end receivables.
C4.08 — Turnover rate of the average month-end outstandings.

C 5 RECEIVABLES – MOTOR VEHICLES, RETAIL

			1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Outstanding:							
C 5.01	At end of year	: % amount ± prev. yr.	143,356	368,323	+24.5	146,743	295,796	−6.6
.02	Month-end average during year	: " " " "	—	330,973	+10.5	—	299,561	−11.8
.03	Renewals in C5.01 (Note)	: " " of C5.01	3,594	7,673	2.1	5,683	10,052	3.4
.04	New vehicles	: " " "	96,745	295,478	80.2	92,786	228,201	77.1
.05	Used " up to 3 model yrs. old	: " " "	24,309	48,556	13.2	15,492	31,042	10.5
.06	" " —4 to 5 " " "	: " " "	14,062	15,802	4.3	20,575	22,753	7.7
.07	" " —over 5 " " "	: " " "	8,240	8,487	2.3	17,890	13,800	4.7
	Total instalments:							
.08	Maturing up to 12 months	: " " "	—	191,005	51.9	—	169,160	57.2
.09	" 13 to 24 months	: " " "	—	121,855	33.1	—	93,158	31.5
.10	" 25 to 36 months	: " " "	—	48,476	13.2	—	31,452	10.6
.11	" after 36 months	: " " "	—	6,987	1.8	—	2,026	0.7
.12	With repurchase agreement	: " " "	139,936	335,167	91.0	144,447	280,749	94.9
.13	Without repurchase agreement	: " " "	3,420	33,156	9.0	2,296	15,047	5.1
.14	Average balance: Dollars			$2,569			$2,016	
	Delinquencies (Note):							
C 5.15	Over 30 days—instalments	: % amount of C5.01	3,051	1,242	0.34	3,336	1,448	0.49
.160		: % number of C5.01	—	—	2.13	—	—	2.27
.161	Over 60 days—total balances	: % amt. of C5.01	—	3,814	1.04	—	3,298	1.11
	Volume acquired:							
.17	New	: % amount of C5.21	63,493	279,671	76.3	51,694	202,449	72.7
.18	Used—up to 3 model yrs old	: " " "	21,844	57,356	15.7	22,103	50,623	18.2
.19	" —4 to 5 " " "	: " " "	11,082	18,863	5.1	12,203	16,952	6.1
.20	" —over 5 " " "	: " " "	7,607	10,702	2.9	8,143	8,511	3.0
.21	Total	: " " ± prev. yr.	104,026	366,592	+31.6	94,143	278,535	+2.0

		1972 New	1972 Used	1971 New	1971 Used
.22	Average down-payment	28.0%	31.3%	30.0%	33.6%
.23	Average unpaid balance acquired: Dollars	$3,661	$1,741	$3,190	$1,428
.24	Average term to maturity: by number of contracts	30.7 mths.	22.5 mths.	29.3 mths.	21.2 mths.

Notes: Renewals and delinquencies — see pages 21, 22. **Losses:** See C18 on page 29.
Repossessions — See C16 on page 28. **Unearned income:** See C54 on page 40.

C 6 RECEIVABLES – INDUSTRIAL & COMMERCIAL EQUIPMENT, RETAIL*

			1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Outstanding:							
C 6.01	At end of year*	: % amount ± prev. yr.	24,483	174,335	+16.4	24,142	149,770	+12.8
.02	Month-end average during year	: " " " "	—	154,750	+18.6	—	130,532	+0.3
.03	Renewals in C6.01 (Note)	: " " of C6.01	412	3,268	1.9	619	4,144	2.8
	Total instalments:							
.04	Maturing up to 12 months	: " " "	—	74,928	43.0	—	76,342	51.0
.05	" 13 to 24 months	: " " "	—	49,569	28.4	—	37,318	24.9
.06	" 25 to 36 months	: " " "	—	27,813	16.0	—	20,272	13.5
.07	" after 36 months	: " " "	—	22,025	12.6	—	15,838	10.6
.08	With repurchase agreement	: " " "	20,327	89,000	51.1	20,350	88,705	59.2
.09	Without repurchase agreement	: " " "	4,156	85,335	48.9	3,792	61,065	40.8
.10	Average balance: Dollars			$7,121			$6,204	

*In 1972 $44,495,252 (1971: $25,781,464) of receivables relating to 1,678 (1971: 1,148) leases of capital assets written by the IAC Industrial Division and/or general purpose branches are included in Schedule C, item 14 (see page 27, Note C12.07). For statistical purposes these receivables, plus $12,938,442 (1971: $7,347,818) related service charges and sales taxes are carried in this Section. However, for maturity comparisons (page 45, Appendix A) such receivables are classified as 'leasing'.

C 6 RECEIVABLES—INDUSTRIAL & COMMERCIAL EQUIPMENT, RETAIL Continued

		1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Delinquencies (Note):						
C 6.11	Over 30 days — instalments: % amount of C6.01	632	894	0.51	637	1,177	0.79
.120	: % number of C6.01	—	—	2.58	—	—	2.64
.121	Over 60 days — total balances: % amt. of C6.01	—	2,695	1.55	—	3,056	2.04
	Volume:						
C 6.13	Acquired: : % amount ± prev. yr.	11,270	127,294	+26.9	10,421	100,277	+17.5
.14	Average down-payment:			17.5%			15.8%
.15	Average unpaid balance acquired: Dollars		$9,222			$7,560	
.16	Average term to maturity: by number of contracts		34.4 months			34.2 months	

Notes: Renewals and delinquencies: See pages 21, 22. Repossessions: See C16 on page 28.
Losses: See C18 on page 29. Unearned income: See C54 on page 40.

C 7 RECEIVABLES – DIVERSIFIED RETAIL*

		1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Outstanding:						
C 7.01	At end of year:* % amount ± prev. yr.	21,512	95,230	+14.7	30,883	83,005	−2.6
.02	Month-end average during year: " " " "	—	90,785	+ 8.6	—	83,575	+5.7
.03	Renewals in C7.01 (Note): " " of C7.01	1,287	2,683	2.8	2,611	2,700	3.3
	Total instalments:						
C 7.04	Maturing up to 12 months: % amount of C7.01	—	25,182	26.4	—	27,131	32.7
.05	" 13 to 24 months: " " " "	—	16,383	17.2	—	15,408	18.6
.06	" 25 to 36 months: " " " "	—	12,669	13.3	—	10,944	13.2
.07	" after 36 months: " " " "	—	40,996	43.1	—	29,522	35.5
.08	With repurchase agreement: " " " "	21,151	93,405	98.1	30,566	81,703	98.4
.09	Without repurchase agreement: " " " "	361	1,825	1.9	317	1,302	1.6
.10	Average balance: Dollars		$4,427			$2,688	
	Delinquencies (Note):						
C 7.11	Over 30 days — instalments: % amount of C7.01	792	340	0.36	1,079	480	0.58
.120	: % number of C7.01	—	—	3.68	—	—	3.49
.121	Over 60 days — total balances: % amt. of C7.01	—	1,489	1.56	—	1,344	1.62
	Volume:						
C 7.13	Acquired: % amount ± prev. yr.	10,411	60,908	+25.1	13,700	48,696	−16.7
.14	Average down-payment:			23.5%			26.0%
.15	Average unpaid balance acquired: Dollars		$3,906			$2,489	
.16	Average term to maturity: by number of contracts		47.3 months			34.6 months	

Notes: Renewals and delinquencies: See pages 21, 22. Repossessions: See C16 on page 28.
Losses: See C18 on page 29. Unearned income: See C54 on page 40.

*See note re No. 7 page 14.

C 8 RECEIVABLES – SALES FINANCING RETAIL: TOTAL

		1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Outstanding, all categories:						
C 8.01	At end of year: (Note) % amount ± prev. yr.	189,351	637,888	+20.7	201,768	528,571	−1.1
.02	Month-end average during year: " " " "	—	576,508	+12.2	—	513,668	−6.4
.03	Renewals in C8.01 (Note): " " of C8.01	5,293	13,624	2.1	8,913	16,896	3.2

C 8 RECEIVABLES—SALES FINANCING RETAIL: TOTAL
Continued

		1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Total instalments:						
C 8.04	Maturing up to 12 months: % amount of C8.01	—	291,115	45.6	—	272,633	51.6
.05	" 13 to 24 months: " " "	—	187,807	29.4	—	145,884	27.6
.06	" 25 to 36 months: " " "	—	88,958	14.0	—	62,668	11.8
.07	" after 36 months: " " "	—	70,008	11.0	—	47,386	9.0
.08	With repurchase agreement: " " "	181,414	517,572	81.1	195,363	451,157	85.4
.09	Without repurchase agreement: " " "	7,937	120,316	18.9	6,405	77,414	14.6
.10	Protected by life insurance: " " "	142,278	361,302	56.6	156,197	307,268	58.1
.110	Average balance: Dollars		$3,369			$2,620	
.111	No. of branches in business more than 12 months and not breaking even at year-end on a monthly basis		2 branches			1 branch	
	Delinquencies, all categories (Note):						
C 8.12	Over 30 days—instalments: % amount of C8.01	4,475	2,476	0.39	5,010	2,892	0.55
.130	: % number of C8.01	—	—	2.36	—	—	2.48
.131	Over 60 days—total balances: % amt. of C8.01	—	7,998	1.25	—	7,698	1.46
	Volume, all categories:						
C 8.14	Acquired: % amount ± prev. yr.	125,707	554,794	+29.8	118,264	427,508	+2.6
.15	% average monthly cash collection of average monthly outstanding		6.5%			7.1%	
.16	Average down-payment		26.3%			27.5%	
.17	Average unpaid balance acquired: Dollars		$3,563			$2,861	
.18	Average term to maturity: by number of contracts		29.8 months			27.5 months	

	Share of market	1972 December 31 Millions of dollars Canada*	1972 IAC	1972 % IAC	1971 December 31 Millions of dollars Canada*	1971 IAC	1971 % IAC
C 8.19	Acquired during year	1,974	446	22.6	1,676	342	20.4
.20	Outstanding end of year	2,238	514	23.0	1,943	436	22.4

*Latest Statistics Canada data for Sales Finance Companies in Canada. At the request of Statistics Canada: (a) volume (C8.19) excludes bulk purchases, (b) both volume and receivables (C8.19/20) exclude leases written by the Industrial Division and/or general purpose branches, (c) effective January 1, 1970 Statistics Canada includes sales finance receivables of consumer loan companies. Effective January 1, 1971 Statistics Canada excludes both from volume and receivables (C8.19/20) unearned service charges.

NOTES:

C 8.01 The statistics in section C8 exclude the receivables mentioned in the note on page 14 re No 7. Retail sales finance balances of consumer loan company excluded, were $23.9 million (1971: $19.0 million). Such balances and the related statistics are carried in section C10 on pages 23 and 24.

Renewals:

C 8.21 A renewal is a revision of the repayment terms originally stipulated in a conditional sales contract and is usually required because the purchaser has suffered an adverse change in his financial position necessitating a reduction of the amount of the monthly payments he has originally agreed to make.

Before renewing an account IAC personnel must ascertain that:

a. The purchaser has a satisfactory paying record.
b. The purchaser has a reasonable equity in the merchandise, so that the amount owing is well within the current resale value of the goods being financed.
c. The purchaser is expected to be in a position to comply with the proposed new schedule of payments.
d. The dealer concerned in the original sale approves the renewal and will endorse the renewal note.

Extensions:

C 8.22 Except in special circumstances an account may only be granted one extension postponing all or part of a current instalment until a subsequent date. Such extensions are only granted after the dealer concerned has agreed and the relative extension fee has been paid. Control over extensions is maintained through computer programs.

Delinquencies:

C 8.23 IAC delinquent accounts are those where the lesser of $25 or 50% of an instalment is past due one month or more according to the current contractual arrangements with the purchaser. This means that renewed accounts are analysed on the basis of the current payment schedule and extended accounts on the basis of the extended schedule. Delinquency ratios generally used are:

a. Dollars Past Due – The percent the total payments in arrears is to the retail dollars outstanding. (C8.12)

b. Items Past Due – The percent the total number of delinquent accounts is of the total number of outstanding retail accounts. (C8.130)

Repossessions: See C16 on page 28. **Unearned income:** See C54 on page 40.
Losses: See C18 on page 29.

C 8.24 To provide certain institutional lenders with delinquency information they desire, *total balances* of accounts with instalments delinquent *over 60 days* are reported in items C5.161, C6.121, C7.121, C8.131, C10.161, C11.171, C12.181.

C 9	**RECEIVABLES – DEALER LOANS**		1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Outstanding:							
C 9.010	At end of year (Note):	% amount ± prev. yr.	317	19,447	+9.2	313	17,816	+7.6
.011	Month-end average:	" " " "	—	17,865	+4.8	—	17,046	+1.6
.012	Renewals in C9.010: % amount of C9.010		8	191	1.0	7	361	2.0
.02	Average balance: Dollars			$61,347			$56,920	
.030	% amount of C9.010 is of shareholders' equity and unsecured debt:			6.6%			6.5%	
.031	% amount of C9.010 is of receivables – motor vehicle (C5.01)			5.3%			6.0%	
	Delinquencies:							
C 9.04	Over 30 days – instalments:	% amount of C9.010	26	172	0.8	10	149	0.8
	Losses:							
C 9.05	Losses charged off in year:	" " "	5	36	0.0	3	6	0.0
.06	Loss recoveries in year:	" " "	6	22	0.0	25	11	0.0
.07	Net losses (C9.05 less C9.06):	" " "	(1)	14	0.0	(22)	(5)	0.0
	Volume:							
C 9.08	Acquired:	% amount ± prev. yr.	92	6,809	+3.1	91	6,607	+29.9
.09	Amount of average loan: Dollars			$74,011			$72,604	
.10	Average term to maturity:			52 months			57 months	
	Commitments:							
C 9.11	Loans firmly committed at yr. end: % amount ± prev. yr.		25	2,322	+5.3	37	2,206	−20.5

Note: The recipients of such loans are carefully screened from the viewpoint of financial responsibility (including adequate personal investment in the dealership) and management competence. The loans must be adequately secured, generally by a real estate or chattel mortgage. In the case of limited companies, unless the underlying strength of the security is exceptional, the personal guarantees of the principals in the dealership are obtained. Loans are all approved by special committees.

Ten largest dealer loans at end of year – $000's

	Dealer	Loan date	Orig. balance	Balance Dec. 31 1971	Balance Dec. 31 1972	Del'q't end 1972	Dealer credit balance	Retail Vol. 1972	Security and contractual repayment term	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
C 9.12	A	9/70	650	634	618	Nil	57	1,813	First mortgage:	32 x $5,780.60 + balance
.13	B	3/70	450	422	191	Nil	100	2,198	First mortgage:	47 x $4,913.80
.14	C	11/68	425	396	384	4	2	600	First mortgage:	71 x $3,585.17 + balance
.15	D	7/69	407	384	373	Nil	48	1,948	First mortgage:	77 x $3,369.11 + balance
.16	E	3/71	365	354	341	Nil	30	1,076	Second mortgage:	38 x $3,563.00 + balance
.17	F	1/71	350	346	339	Nil	13	731	First mortgage:	46 x $2,881.38 + balance
.18	G	12/72	325	Nil	325	Nil	1	40	Mortgage bond:	60 x $3,358.00 + balance
.19	H	7/64	310	272	261	Nil	16	1,571	Second mortgage:	36 x $2,296.20 + balance
.20	I	11/71	300	299	283	Nil	17	1,085	Mortgage bond:	47 x $3,305.76 + balance
.21	J*	11/71	300	205	293	Nil	30	1,328	First mortgage:	51 x $3,013.65 + balance

*Progress payments up to $300,000 made.

C 10 RECEIVABLES – CONSUMER LOANS

			1972			1971		
			No.	Amount $000's	%	No.	Amount $000's	%
	Outstanding:							
C 10.01	At end of year (Notes):	% amount ± prev. yr.	223,253	197,344	+10.8	227,089	178,087	+ 2.2
.02	" " " " "	% number ± prev. yr.	—	—	1.7	—	—	− 9.2
.03	Month-end average:	% amount ± prev. yr.	221,926	186,176	+ 7.8	234,330	172,754	+ 0.6
.04	Small loans (incl. accrued income):	" " of C10.01	118,262	62,985	31.9	137,633	71,821	40.3
.05	Other balances:	" " "	104,991	134,359	68.1	89,456	106,266	59.7
	Total instalments:							
.06	Maturing up to 12 months:	% amount of C 10.01	—	94,908	48.1	—	89,264	50.1
.07	" 13 to 24 months:	" " " "	—	66,916	33.9	—	61,966	34.8
.08	" 25 to 36 months:	" " " "	—	28,708	14.5	—	23,299	13.1
.09	" after 36 months:	" " " "	—	6,812	3.5	—	3,558	2.0
.10	Protected by life insurance:	" " " "	193,077	184,796	93.6	212,803	172,771	97.0
.11	Average term to maturity:			27.1 months			19.8 months	
.120	Average balance — entire portfolio: dollars			$ 884			$ 784	
.121	— small loans:	"		$ 533			$ 522	
.122	— large loans:	"		$2,484			$2,210	
.123	— sales finance:	"		$ 557			$ 503	
.124	— UK loans:	"		$ 341			$ 299	
.13	Average outstanding per branch: $000's			733			672	
.14	No. of branches in business more than 12 months and not breaking even at year end on a monthly basis			1 branch			2 branches	
	Delinquencies: (Note):							
C 10.15	Over 30 days—total balances (Note):	% amount of C 10.01	15,794	14,998	7.6	17,070	13,569	7.6
.160	" " " " " "	: % number of C 10.01	—	—	7.1	—	—	7.5
.161	" 60 " —total balances	: % amount of C 10.01	10,758	9,921	5.0	12,878	10,120	5.7
.17	No cash 60-89 days (Note):	% amount of C 10.01	1,445	1,201	0.6	1,458	1,101	0.6
.18	No cash 90 days (Note):	% amount of C 10.01	2,979	2,308	1.2	3,816	2,589	1.5
	Losses:							
C 10.19	Loss provision yr. end total:	% amount of C 10.01	—	4,273	2.17	—	3,935	2.21
.20	Losses charged off in year (Note):	" " " C 10.03	—	3,545	1.91	—	3,575	2.07
.21	Loss recoveries " " :	" " " "	—	1,035	0.56	—	936	0.54
.22	Net losses (C 10.20 less C 10.21)	" " " "	—	2,510	1.35	—	2,639	1.53
	Volume (including service charges where applicable):							
C 10.23	New borrowers (Note):	% amount of C 10.27	81,854	62,645	27.9	66,252	47,604	24.0
.24	New, to former borrowers:	" " " "	33,126	29,638	13.2	31,616	23,447	11.8
.25	Present borrowers — new cash advanced (Note):	" " " "	98,738	74,854	33.3	109,033	69,070	34.8
.26	— balances renewed:	" " " "		57,397	25.6		58,435	29.4
.27	Total for year:	% amount ± prev. yr.	213,718	224,534	+13.1	206,901	198,556	+3.4
.28	" " "	% number ± prev. yr.	—	—	+ 3.3	—	—	−8.7
.29	Secured by chattel, etc.:	% amount of C 10.27	127,163	167,053	74.4	122,069	146,375	73.7
.30	Unsecured:	" " " "	86,555	57,481	25.6	84,832	52,181	26.3
.31	% average monthly cash principal collections of average net monthly outstandings (Note):			5.6%			5.7%	
.320	Average transaction — entire portfolio: dollars			$1,050			$ 960	
.321	— small loans:	"		$ 689			$ 685	
.322	— large loans:			$3,423			$3,122	
.323	— sales finance:			$ 688			$ 634	
.324	— UK loans:	"		$ 462			$ 355	
.33	Average term:			32.6 months			31.8 months	
	Repossessions:							
C 10.34	At end of year (principal only):	% amount of C 10.01	24	34	0.0	9	15	0.0
.35	Net market value of C 10.34:	% amount of C 10.34	24	15	44.1	9	9	60.0
.36	During year (principal only):	% amount of C 10.27	283	379	0.2	209	215	0.1
.37	Frequency: avge. no. of loans o/s (C 10.03) ÷ by no. of repossessions (C 10.36)			One in: 784			One in: 1,121	

			1972			1971		
C10	**RECEIVABLES — CONSUMER LOANS** Continued		No.	Amount $000's	%	No.	Amount $000's	%
	Unearned income (Note):							
C10.38	Total precomputed receivables:	% amount of C10.01	95,303	130,659	66.2	80,277	103,039	57.9
39	Balance at year end:	% amount of C10.38	—	26,375	20.2	—	20,685	20.1
	Notes: C10.01/.39 – Includes balances in U.K.:	% amount ± prev. yr.	20,446	6,962	+65.1	14,107	4,217	+29.4
	C10.01/.39 – Includes retail sales finance receivables of NFC classified in C7 on page 14:	% amount ± prev. yr.	42,858	23,857	+25.7	37,769	18,985	+1.2

C10.15 – Delinquent accounts are those where, strictly in accordance with the terms of the related contract, an amount of principal and interest in excess of the lesser of $25 or 50% of an instalment remains uncollected for more than 30 days. Partial payments, no matter how recent, will not remove an account from the delinquency list unless it is entirely up to date.

C10.17 – No collections received for 60 to 89 days.

C10.18 – No collections received for 90 days or more.

C10.20 – **Accounts written off**: Delinquent accounts are reviewed monthly by Branch Managers, District Supervisors and (if necessary) by Directors of Supervision. If an account is assessed as a 'potential loss', the amount of such loss is adequately provided for. Every effort is then made to collect all or part of the amount still outstanding. After all collection possibilities have been exhausted, any balance remaining on the account is then written off. No 'deficiency' balances are recorded because any uncollectible balance is written off.

C10.23 – **'Block' purchases of receivables**: The premium, if any, on 'block' purchases of receivables is deducted from income in the month in which such receivables are acquired. Delinquency of any portfolio so purchased is carefully evaluated and taken into account when negotiating the purchase price.

C10.25/26 – **Renewals**: This information states that in 1972, 98,738 (1971 : 109,033) loans were made to existing borrowers who owed $57,397,000 (1971 : $58,435,000) at the time their loan was renewed. When these loans were renewed these same borrowers were granted additional cash advances totalling $74,854,000 (1971 : $69,070,000). Such renewals are made only to customers who have always performed well on their previous obligations.

C10.26 – **Rewriting delinquent accounts**: Delinquent accounts may only be rewritten when:

a) the condition of the account and the customer's payment record warrant the advancing of additional cash equivalent to:
   i) at least 10% of the then-outstanding balance; or
   ii) $25, whichever amount is greater; or
b) the customer arranges to strengthen the company's position by offering additional chattel security, or the guarantee of a responsible, credit-worthy person.

Rewriting loans with no cash advanced. As a matter of policy, consumer loan accounts are not rewritten without an additional cash advance, except:

1) Where the account is in good standing (paid-up-to-date) and the customer requests reduced payments; or
2) Where the account is in good standing, but the customer wishes to alter the security originally given on the loan, or to substitute for it security of equal or greater value; or
3) As stated in Note C10.26(b) if the account is delinquent.

C10.31 – The calculation excludes earned charges, losses written off, renewal balances, and rebates of pre-computed charges and insurances.

C10.38 – **No acquisition charges**: No acquisition charges or fees are taken into income in the month a transaction is made. Because most of Niagara's transactions with precomputed charges have different characteristics from those of retail sales finance and involve higher initial costs, it is not appropriate to defer income by the 'retail sales financing' method outlined on page 41, C54.11. The sum-of-the-digits method is used to defer income on an account-by-account basis equal to the total maximum rebate refundable for each individual precomputed account assuming it were paid out immediately after the close of any financial period (see page 41, C54.08).

Rebates: Such maximum rebates, computed on the sum-of-the-digits method (modified where necessary by provincial legislation), would be reduced (a) by prepayment fees, (b) by rebates payable after 'anniversary' dates, and (c) in some cases by past due interest.

C10.39 – **Insurance commissions, etc**: No fees or insurance commission *as such* for individual accounts are taken into income each month. However, in the case of life-and/or accident and sickness insured consumer loans, an experience-rating refund of premiums arises each year.

C10 RECEIVABLES – CONSUMER LOANS – Continued

		1972 December 31			1971 December 31		
		Millions of dollars		%	Millions of dollars		%
	Share of market	Canada*	NFC	NFC	Canada*	NFC	NFC
C10.40	Outstanding end of year	1,625	143	8.8	1,476	136	9.2

*Latest Statistics Canada data for Loan Companies in Canada; figures exclude sales finance receivables, page 21, note C8.20. Figures exclude unearned service charges.

C11 RECEIVABLES – RESIDENTIAL MORTGAGES

			1972			1971		
			No.	Amount $000's	%	No.	Amount $000's	%
	Outstanding:							
C11.01	At end of year (Note):	% amount ± prev. yr.	17,869	94,148	+23.9	16,591	75,992	+21.3
.02		% number ± prev. yr.	—	—	+7.7	—	—	+8.6
.03	Month-end average:	% amount ± prev. yr.	17,095	83,461	+22.2	15,891	68,279	+21.5
.04	Regular mortgages (Note):	% amount of C11.01	13,144	83,027	88.2	11,325	63,232	83.2
.05	Combined " (Note):	" " "	4,725	11,121	11.8	5,266	12,760	16.8
	Total instalments:							
.06	Maturing up to 12 months:	% amount of C11.01	—	4,092	4.3	—	3,936	5.2
.07	" 13 to 24 months:	" " "	—	5,397	5.7	—	4,514	5.9
.08	" 25 to 36 months:	" " "	—	5,928	6.3	—	4,984	6.6
.09	" 37 to 48 months:	" " "	—	5,807	6.2	—	5,280	6.9
.10	" after 48 months:	" " "	—	72,924	77.5	—	57,278	75.4
.11	Protected by life insurance (Note):	" " C11.04	5,525	32,330	38.9	5,406	28,653	45.3

		1972			1971		
		Regular	Combined	All	Regular	Combined	All
.12	Avge. term to maturity:	104.2 mths.	78.8 mths.	101.3 mths.	103.0 mths.	90.8 mths.	100.9 mths.
.13	Average balance: Dollars	$6,317	$2,354	$5,269	$5,583	$2,423	$4,580
.14	Average o/s per branch: $000's			352			358

.15 Number of branches in business more than 12 months and not breaking even at year end on a monthly basis: 1972 — 0 branch; 1971 — 0 branch

			1972			1971		
			No.	Amount $000's	%	No.	Amount $000's	%
	Delinquencies:							
C11.16	Over 30 days – total balances (Note):	% amount of C11.01	173	1,042	1.1	168	956	1.3
.170		: % number of C11.01	—	—	1.0	—	—	1.0
.171	" 60 " – total balances	: % amount of C11.01	86	530	0.6	92	554	0.7
.18	No cash 60-89 days (Note):	% amount of C11.01	24	174	0.2	28	122	0.2
.19	No cash 90 days (Note):	" " "	47	278	0.3	45	315	0.4
	Losses:							
C11.20	Loss provision yr. end total:	% amount of C11.01	—	706	0.75	—	570	0.75
.21	Losses charged off in year:	" " C11.03	32	93	0.11	32	71	0.10
.22	Loss recoveries " " :	" " "	—	3	0.00	—	6	0.00
.23	Net losses (C11.21 less C11.22):	" " "	—	90	0.11	—	65	0.10
	Volume:							
C11.24	New borrowers:	% amount of C11.27	4,420	34,659	83.5	3,691	25,489	84.7
.25	New, to former borrowers:	" " "	178	1,743	4.2	113	991	3.3
.26	Renewals to present borrowers (Note):	" " "	550	5,106	12.3	417	3,604	12.0
.27	Total for year:	" " ± prev. yr.	5,148	41,508	+38.0	4,221	30,084	+49.1
.28	" " " :	% number " "	—	—	+22.0	—	—	+24.7
.29	Monthly avge. collections, princ. & int.:	% amt. of C11.01	—	2,862	3.0	—	2,089	2.8
.30	" " " " " :	" " C11.03	—	—	3.4	—	—	3.1

C11 RECEIVABLES – RESIDENTIAL MORTGAGES – Continued

		1972			1971		
		Regular	Combined	All	Regular	Combined	All
.31	Average term:	129.6 mths.	— mths.	129.6 mths.	122.6 mths.	— mths.	122.6 mths.
.32	Average transaction:	$8,063	—	$8,063	$7,127	—	$7,127

			1972			1971		
			No.	Amount $000's	%	No.	Amount $000's	%
	Foreclosures:							
C11.33	At end of year:	% amount of C11.01	2	17	0.0	5	50	0.1
.34	Approx. net market value of collateral for C11.33:	% amount of C11.33	2	17	100.0	5	50	100.0
.35	During year:	% amount of C11.27	25	238	0.6	25	206	0.7
.36	Frequency: average number of mortgages o/s (C11.03) ÷ by no. of foreclosures (C11.35)		One in: 684	—	—	One in: 636	—	—
	Deferred income:							
C11.37	Total related balances:	% amount of C11.01	8,296	29,808	31.7	8,386	28,213	37.1
.38	Balance at year end (Note):	" " C11.37	—	1,937	6.5	—	1,801	6.4

Notes: C11.01 — **Prepayment fees:** Prepayment fees are assessed against mortgagors equivalent to 3 months' interest on the amount prepaid.

C11.04 — Regular mortgages include $38,902,000 first mortgages (1971 : $24,539,000) equivalent to 46.9% (1971 : 38.8%).

C11.05 — Combined mortgages with The Royal Trust Company of which IAC/Niagara takes between one-fifth and one-seventh part.

C11.11 — Mortgages of corporations and that part of an individual's mortgage in excess of $15,000 are not eligible for life insurance coverage. Of the eligible loans in the mortgage portfolio 61.2% (1971 : 70.8%) were life insured.

C11.16 — Delinquent accounts are those where, strictly in accordance with the terms of the related contracts, any amount of principal and interest remains uncollected for more than 30 days.

C11.18 — No collections received for 60 to 89 days.

C11.19 — No collections received for 90 days or more.

C11.26 — **Renewals:** When an account is paid up-to-date (in good standing) and *no* cash required, new repayment schedules and terms are arranged through the use of a 'modification' agreement which retains the full validity of the original mortgage. Prior approval by Executive Officers is required.

Renewals with additional cash: New mortgage documents are completed. The investigation, credit approval and appraisal procedures are similar to those for a new transaction, except that the title search only covers the period back to the date of registration of the original Niagara mortgage.

C11.38 — **Rebates:** Deferred income from this type of mortgage occurs (a) when regular mortgages are purchased from others at a discount (C54.09, page 41) and (b) from the 2% non-refundable fee charged for combined mortgages (C54.10, page 41). Such mortgage agreements do not include provisions or rebates. The related percentages thus do not have the same significance as those for receivables with precomputed service charges.

		Dollars 1972	Dollars 1971
C12	**RECEIVABLES – COMMERCIAL LOANS** (Page 6, para. 21)	$ 1,980,118	$ 4,489,875
C13	**" – COMMERCIAL MORTGAGES**	29,365,604	35,011,807
C14	**" – LEASING** (Note C12.07)	220,668,142	147,618,289
	TOTAL LEASING, COMMERCIAL LOANS, ETC.	$252,013,864	$187,119,971

C12			1972			1971		
			No.	Amount $000's	%	No.	Amount $000's	%
	Outstanding							
C12.01	At end of year:	% amount ± prev. yr.	339	207,519	+28.6	343	161,337	+3.0
.02	Month-end average:	" " " "	—	164,598	+6.9	—	154,007	+11.0
.03	Term loans:	" " of C12.01	11	1,980	0.9	25	4,490	2.8
.04	1st mortgages:	" " "	34	15,138	7.3	49	15,426	9.6
.05	2nd "	" " "	74	14,228	6.9	97	19,585	12.1
.06	Receivable/inventory loans, rediscounting:	% amount of C12.01	—	—	—	—	—	—
.07	Leasing (Note):	" " "	220	176,173	84.9	172	121,836	75.5
.08	Maturing in 2 years:	" " "	—	49,826	24.0	—	35,402	21.9
.09	" 3/5 years:	" " "	—	54,498	26.2	—	51,291	31.8
.10	" 6/10 years:	" " "	—	54,922	26.5	—	40,898	25.4
.11	" 11/15 years:	" " "	—	34,468	16.6	—	28,941	17.9
.12	" after 15 years:	" " "	—	13,805	6.7	—	4,805	3.0

		1972			1971		
C12	**RECEIVABLES–LEASING, COMMERCIAL LOANS, ETC. –Continued**	No.	Amount $000's	%	No.	Amount $000's	%
.13	Repayment by regular amortization monthly, etc.: % amount of C12.01	336	204,248	98.4	332	154,251	95.6
.14	" at maturity: " " "	3	3,271	1.6	11	7,086	4.4
.15	Average term to maturity of C12.14		21 months			8 months	
.16	" " " whole portfolio		77 months			56 months	
.17	Average balance, whole portfolio, $000's		612			470	
	Delinquencies:						
C12.180	Over 30 days — instalments (Note): % amount of C12.01	1	11	0.0	11	731	0.4
.181	Over 60 days — total balances: % amount of C12.01	6	894	0.4	9	2,501	1.5
	Default (total balances):						
C12.19	Under foreclosure, etc. action: % amount of C12.01	1	7	0.0	5	2,902	1.8
.20	Net estimated value of security for C12.19: % amt. of C12.19	—	7	100.0	—	1,618	55.8
	Transferred to Section C16, page 28						
C12.21	Properties held for sale: % amount of C12.02	6	1,186	0.7	5	2,041	1.3
.22	Net estimated value of security for C12.21: % amt. of C12.21	—	896	75.5	—	1,838	90.1
	Losses:						
C12.23	Loss provision yr. end total (Note): % amount of C12.01	4	1,501	0.72	6	2,799	1.73
.24	Losses charged off in year: % amount of C12.02	4	375	0.22	9	1,188	0.77
.25	Loss recoveries in year: " " "	—	779	0.47	—	—	—
.26	Net losses (C12.24 less C12.25): " " "	—	(404)	(0.25)	9	1,188	0.77
	Volume:						
C12.27	New clients: % amount of C12.29	14	35,785	51.2	19	13,320	40.4
.28	Present clients, new transactions: " " "	26	34,143	48.8	31	19,682	59.6
.29	Total for year: % amount ± prev. yr.	40	69,928	+111.9	50	33,002	−14.4
.30	Present clients, term and/or amortization extended (Note): % amount of C12.29	2	3,735	5.3	10	1,333	4.0
.31	Total liquidated: % amount of C12.29	—	23,746	33.9	—	28,328	85.9
.32	" " % amount of C12.02	—	—	14.4	—	—	18.3
.33	Average term:		85 months			103 months	
.34	Average transaction: $000's		1,748			660	
	Commitments:						
C12.35	Transactions firmly committed at yr. end: % amt. ± prev. yr.	14	18,132	+10.0	12	16,477	−31.4
	Greater of (a) all balances outstanding $1 million and over, or (b) 10 largest leases and/or loans at year end.						
C12.36	$1 million and over (Note): % amount of C12.01	47	177,552	85.5	39	107,836	66.8
.37	" arrears: % amount of C12.36	—	—	—	1	2,750	2.6

Method of recording leases:

C12.38 All capital assets leased, after deduction of unearned rentals, are recorded as normal receivables. For such leased assets, the excess of aggregate rentals over cost is recorded as income over the term of the lease in decreasing amounts pro-rata to the declining balance of the investment not yet recovered. For tax purposes, rentals are treated as income on the accrual basis and maximum capital cost allowance is deducted therefrom. Any resulting tax difference is recorded as deferred income tax. Gains arising from residual values of leased assets are reflected in earnings only when realized, except where they are contractual. In this case, these values are included in income. Inventory records of estimated residual values are maintained and closely followed.

Notes: C12.07 — In 1972 receivables of $44,495,252 (1971: $25,781,464) relating to 1,678 (1971: 1,148) leases of capital assets written by the IAC Industrial Division and/or general purpose branches are included on page 19 Section C6.

C12.180 — Delinquent accounts are those where, strictly in accordance with the terms of the related contracts, any amount of principal and interest remains uncollected for more than 30 days.

C12.23 — Loss provision does not include $290,000 for 1972 (1971: $203,000) with respect to properties held for sale, C16.17/.18 page 28.

C12.30 — Extensions are only granted where the borrower has performed well in the past and it seems highly probable that he will be able to comply with the terms of the extended contract.

C12.36 — IAC has an ethical duty to clients not to disclose their identity but, on specific requests a schedule of these transactions may be inspected showing on an anonymous basis: location, type of business, category, original term, months to maturity, original and present balances, arrears, and any special features.

C15 RECEIVABLES—OTHER

		Thousands of Dollars 1972	1971
C15.01	Unclosed mortgage loan payments and/or combined payments receivable	152	169
.02	Dealer debit balances	138	105
.03	Experience rating dividend	141	185
.04	Unrealized U.K. exchange gain	492	—
.05	Miscellaneous	518	420
.06	Total	1,441	879

C16 PROPERTY, VEHICLES & EQUIPMENT HELD FOR SALE

			1972 No.	1972 Amount $000's	1972 %	1971 No.	1971 Amount $000's	1971 %
	Repossessions IAC Sales Financing, Retail (Note)							
C16.01	On hand and with dealers Jan. 1:	% no. ± prev. yr.	637	2,121	−39.4	1,051	3,599	− 5.1
.02	Acquired during year:	% no. of C8.14	3,895	8,650	3.1	6,799	11,098	5.7
.03	Disposed of during year:	% no. of C16.02	4,105	8,420	105.4	7,213	12,576	106.1
.04	On hand and with dealers Dec. 31:	% no. ± prev. yr.	427	2,351	−33.0	637	2,121	−39.4
.05	Part of C16.04 subject to dealer recourse:	"	385	1,846	−33.2	576	1,780	−39.4
.06	" C16.04 IAC responsibility:	"	95	981	+43.9	66	354	−56.0
.07	Market value of C16.06:	% amount ± prev. yr.	—	224	+72.3	—	130	−59.4
.08	Frequency: avge. no. of retail contracts o/s ÷ by no. of repossessions acquired (C16.02)		One in: 49.6	—	—	One in: 32.6	—	—
.09	% total dollar reposs. (C16.04) to retail o/s (C8.01)				0.37			0.40
.10	Average month-end market value of repossessions outstanding during each year: IAC responsibility only			395			414	

Note — C16.06 includes 53 (1971 :5) wholesale repossessions amounting to $476,000 (1971: $13,000); their respective market value was $122,000 (1971: $10,000). Except for C16.07 & C16.10 all amounts represent unpaid balance at date of repossession.

	Other properties held for sale (Note)	Date acquired (1)	Type of property (2)	Balance December 31 (3)	Estimated realizable value (4)	Estimated possible losses (5)
				Thousands of dollars		
C16.11		Oct./65	Land	27	45	(18)
.12		May/67	"	416	200	216
.13		Oct./69	"	82	60	22
.14		Dec./65	"	583	500	83
.15		Apr./72	Motel	37	50	(13)
.16		Aug./72	Land	41	41	—
.17	Totals 1972			1,186	896	290
.18	Totals 1971			2,041	1,838	203

Note: These are the properties in the hands of the appropriate companies which are legally entitled to effective ownership through foreclosure or other action (Page 27, C12.21). Such companies are managed by the IAC Capital Funds Division. The estimated realizable value (col. 4) is arrived at after assuming settlement of all first mortgages or other prior charges.

C16.19 **Summary of property, vehicles and equipment held for sale** (Schedule C, page 14, no. 16)

Reference	1972 No.	1972 Market value $000's	1972 Frequency one in:	1971 No.	1971 Market value $000's	1971 Frequency one in:
C10.35/.37 — Consumer loans	24	15	784	9	9	1,121
C11.34/.36 — Mortgages residential	2	17	684	5	50	636
C16.06/.08 — Sales financing, IAC responsibility	95	224	49.6†	66	130	32.6†
C16.17 Col. 3 — Commercial leasing, loans, etc.*	6	1,186	—	5	2,041	—
Total property, etc. held for sale	127	1,442	—	85	2,230	—

†Frequency based on total repossessions acquired during year: i.e. average number of retail contracts outstanding divided by number of repossessions acquired.

*At book value since a firm market value cannot easily be established. Reserve for estimated possible losses has been provided for.

C17 TOTAL RECEIVABLES

			1972 Amount $000's	1972 %	1971 Amount $000's	1971 %
	Maturities of all categories					
C17.01	Properties held for sale (C16.19):	% Note	1,442	0.1	2,230	0.2
.02	Delinquencies over 30 days—instalments:	"	14,241	1.0	11,263	1.0
.03	Sales financing wholesale (C4.01):	"	215,289	15.7	177,130	15.6
.04	Income taxes recoverable:	"	3,957	0.4	—	—
.05	January subsequent year:	"	41,419	3.0	47,184	4.1
.06	February " " :	"	36,561	2.7	33,673	3.0
.07	March " " :	"	34,922	2.6	32,408	2.8
.08	April " " :	"	34,128	2.5	31,433	2.8
.09	May " " :	"	33,269	2.4	30,166	2.7
.10	June " " :	"	33,230	2.4	30,449	2.7
.11	July " " :	"	35,638	2.6	30,049	2.6
.12	August " " :	"	31,596	2.3	27,851	2.4
.13	September " " :	"	31,146	2.3	26,901	2.4
.14	October " " :	"	30,541	2.2	26,914	2.4
.15	November " " :	"	29,875	2.2	25,965	2.3
.16	December " " :	"	29,256	2.1	34,566	3.0
.17	Sub-total (C17.02 to C17.15):	"	635,068	46.4	565,952	49.8
.18	Months 13 to 24:	"	286,117	20.9	230,439	20.3
.19	Months 25 to 36:	"	145,563	10.7	114,428	10.0
.20	Month 37 and after:	"	299,835	21.9	224,192	19.7
.21	Total receivables:	"	1,368,025	100.0	1,137,241	100.0

Note: The percentage is calculated on the amount of total receivables (C17.21).

C18 ALLOWANCE FOR DOUBTFUL RECEIVABLES

			1972 Amount $000's	1972 %	1971 Amount $000's	1971 %
	IAC wholesale, retail, and dealer loans					
C18.01	Loss provision yr. end total:	%amount o/s C4.01, C8.01, C9.010	9,863	1.13	8,877	1.23
.02	Losses charged off in year:	% amount of monthly average o/s C4.02, C8.02, C9.011	2,321	0.30	1,924	0.28
.03	Loss recoveries:	% " " "	287	0.04	446	0.06
.04	Net losses:	% " ' "	2,034	0.26	1,478	0.22
.05	Total retail liquidated in year		430,351	—	425,800	—
.06	Total wholesale " " "		1,074,358	—	915,277	—
.07	Total dealer loan " " "		5,178	—	5,350	—
.08	Total liquidated " " "	(C18.05, C18.06, C18.07)	1,509,887	—	1,346,427	—
.09	% amount net losses (C18.04) of liquidated (C18.07)			0.13%		0.11%
	Total allowance for doubtful receivables					
C18.10	Consumer loans (C10.19):	% amount o/s yr. end	4,273	2.17	3,935	2.21
.11	Residential mortgages (C11.20):	" "	706	0.75	570	0.75
.12	Commercial leasing etc. (C12.23):	" "	1,501	0.72	2,799	1.73
.13	Properties held for sale (C16.16):	" "	290	24.45	203	9.95
.14	Sales financing (C18.01):	" "	9,863	1.13	8,877	1.23
.15	Total allowance:	" '	16,633	1.22	16,384	1.44

		Losses charged off 1972 — $000's Gross	Recovered	Net	Losses charged off 1971 — $000's Gross	Recovered	Net
	Net losses charged off in year						
C18.16	Consumer loans (C10.20 to C10.22)	3,545	1,035	2,510	3,575	936	2,639
.17	Residential mortgages (C11.21 to C11.23)	93	3	90	71	6	65
.18	Commercial leasing etc. (C12.24 to C12.26)	375	779	(404)	1,188	—	1,188
.19	IAC wholesale retail incl. reposs. and dealer loans (C18.02 to C18.04)	2,321	287	2,034	1,924	446	1,478
.20	Net losses (total charged off)	6,334	2,104	4,230	6,758	1,388	5,370
.21	% net losses charged off of quarterly avge. outstandings		0.35%			0.49%	

Note: C18.20 includes net charges $208,000 in respect of wholesale (1971: $258,000).

C18 ALLOWANCE FOR DOUBTFUL RECEIVABLES
Continued

Method of assessing doubtful receivables:

C18.22 The entire portfolio is reviewed for collectibility each month. If an account is assessed as a 'potential loss' the amount of such loss is then provided for. Every effort is then made to collect all or part of the amount still outstanding. After all collection possibilities have been exhausted, any balance remaining on the account is written off. The total allowance of $16.6 million (C18.15) is, in the judgment of management and independent public auditors, adequate to meet possible losses. In arriving at the provision the collectibility of all balances in every portfolio is carefully weighed (1) at Branch level, (2) then by Regional Managers*, (3) then by Division General Managers* and (4) if necessary, by other Executive Officers. The independent public auditors participate closely in this appraisal during each audit.

*For parent company and by equivalent ranking officers for each subsidiary.

Loss record: 11 years to Dec. 1972:

C18.23 During the IAC companies' entire history, care in the granting of credit, wide insurance coverage, diversification of risk and of location have resulted in a reasonably small percentage of loss. During the 11 years ended December 31, 1972 credit losses have been as follows:

	Losses as a percentage of:		
Year	Outstandings*	Volume	Liquidation
1962	.40	.25	.27
1963	.44	.27	.30
1964	.46	.28	.31
1965	.46	.29	.33
1966	.54	.41	.40
1967	.57	.48	.48
1968	.56	.37	.40
1969	.50	.34	.37
1970	.57	.43	.44
1971	.49	.33	.34
Average per 10 years 1962/71	.50	.35	.36
1972	.35	.21	.24

*Average quarterly outstandings

C20 INCOME TAXES RECOVERABLE: $3,956,765 (1971: NIL)

This receivable comprises the recovery of $2,305,000 of income taxes paid for the year 1971 by IAC Limited (see 1972 Annual Report note 6 to financial statements) and $1,652,000 of taxes overpaid for 1972 by IAC Limited and certain subsidiaries.

C22 MARKETABLE SECURITIES: $24,247,113 (1971: $26,022,122)

		1972 Values: $000's		1971 Values: $000's	
		Quoted	Book	Quoted	Book
	IAC securities held:	1,318	1,303	4,099	4,073
C22.01	Federal Government	6,052	6,031	6,069	6,066
.02	Provincial Governments			—	—
.03	Other securities	4,241	4,422	3,575	4,422
.04	Total held by IAC	11,611	11,756	13,743	14,561
	Merit Insurance securities held:				
.05	As authorized by the Canadian & British Insurance Companies Act	11,921	12,491	10,639	11,461
.06	Marketable securities, Total (Note):	23,532	24,247	24,382	26,022

Note: Book value is stated at cost or amortized values, plus accrued interest.

C23 COMMERCIAL PAPER RECEIVABLE: $9,362,488 (1971: $37,478,695)

C23.01 This asset consists of promissory notes drawn in favour of IAC, issued by Canadian companies with prime credit ratings. Notes from most Canadian subsidiaries of foreign companies bear foreign parent company guarantees.

.02 Lending limits are established for such corporate borrowers with the approval of the IAC Finance Committee and the IAC Executive Committee of the Board. Such approval is in part based on a full, and continuing analysis of the corporate borrowers affairs by qualified personnel. The term rarely exceeds 90 days and the average length of credit is from 30 to 45 days. Since October 1961, when IAC first undertook commercial paper lending, volume has exceeded $1.7 billion and all notes have been collected without loss.

C26 CASH COMMITTED FOR DEBENTURE AND PREFERRED STOCK RETIREMENT: $490,643 (1971: $441,880)

		1972	1971
C26.01	Sinking Fund Debentures — Cash on deposit with Trustee	$240,643	$191,880
.02	1956 issue of Preferred Shares — Separate bank deposit	$250,000	$250,000
.03	1966 issue of Preferred Shares — Cash committed	$ —	$ —
.04	Total cash committed for debenture and preferred stock retirement (Note)	$490,643	$441,880

Note: — When preferred shares are purchased for cancellation an amount equivalent to the book value of the shares is ear-marked as not being available for dividend distribution pursuant to The Canada Corporations Act (see Schedule B No. 11, page 13).

C27 INVESTMENT IN LIFE ASSURANCE SUBSIDIARY: $5,553,704 (1971: $4,949,097)

C27.01 In December 1962 IAC purchased control of The Sovereign Life Assurance Company of Canada at a price of $3.8 million. All shares of Sovereign Life are now owned by IAC except for directors qualifying shares. The book value is arrived at as follows:

		(1) Book value	(2) Unrecorded asset: Present value of business in force	(3) Adjusted earnings Col. (1) + (2)
C27.02	1962 — Cost of acquiring share capital of Sovereign Life (Note)	$3,787,125	$1,735,676	—
.03	1963 — IAC share of Sovereign's earnings (loss)	87,869	196,241*	$284,110
.04	1964 — " " " " " "	90,694	217,442*	$308,136
.05	1965 — " " " " " "	63,929	217,320*	$281,249
.06	1966 — " " " " " "	(14,798)	139,148*	$124,350
.07	1967 — " " " " " "	20,606	58,146*	$ 78,752
.08	1968 — " " " " " "	130,000	153,075*	$283,075
.09	1969 — " " " " " "	235,580	170,323*	$405,903
.10	1970 — " " " " " "	248,243	72,515*	$320,758
.11	1971 — " " " " " "	299,774	28,181*	$327,955
.12	1972 — " " " " " "	604,682	144,111*	$748,793
.13	Total book value	$5,553,704	$3,132,178	—

*Represents annual increase in the present value of future earnings from business now in force, earnings which would continue even if Sovereign were to cease all selling activity.

Financial statements and certain key statistics of Sovereign Life are shown in the IAC 1972 Annual Report.

Note: In 1967, to conform with a change in the Canadian & British Insurance Companies Act whereby the permitted minimum investment in qualifying shares by a shareholder-director was reduced to $250, and also to comply with a new company policy that such qualifying shares be fully paid, certain purchases and sales of shares took place which resulted in a net increase of $2,850 in the cost of acquiring Sovereign's share capital. In 1972 the election of an additional director and his acquisition of fully paid qualifying shares resulted in a $75 reduction in IAC's cost of investment in Sovereign. These changes are reflected on line C27.02.

C28 INVESTMENT IN OTHER COMPANIES: $2,194,249 (1971: $657,000)

	Name of Company	% of Interest	Cost: Dollars 1972	1971
	Investment at cost in:			
C28.01	Canborough Limited	22.0%	507,000	507,000
.02	International Capital Corporation Limited	35.0%	840,000	—
.03	SDI Associates Limited	3.8%	47,250	—
.04	The Sovereign Mortgage Insurance Company	40.0%	799,999	—
.05	Canadian Enterprise Development Corporation Limited		—	150,000
.06	Total investment in other companies		$2,194,249	$657,000

C29 LEASEHOLD IMPROVEMENTS AND PREPAID EXPENSES: $2,401,072 (1971: $1,812,299)

	Nature:	Dollars 1972	1971
C29.01	Unamortized cost of alterations and improvements to (a) leased and (b) owned properties	$1,966,356	$1,550,478
.02	Unexpired insurance premiums	287,628	180,513
.03	Credit information contracts	3,100	15,025
.04	Rent	4,471	12,144
.05	Taxes, other than income	128,515	33,800
.06	Miscellaneous	11,002	20,339
.07	Total	$2,401,072	$1,812,299

Amortization policies:

.08 For item C29.01, (a) **in the case of rented premises,** in accordance with the capital cost allowances regulations of the Income Tax Act (Canada), costs are charged off over the longer of:
(1) a 5 year period; or (2) the life of the primary lease plus one period of extension.
(b) **in the case of owned properties,** costs up to $10,000 are amortized over 5 years; costs over $10,000 per project are amortized over 10 years.

C29 LEASEHOLD IMPROVEMENTS AND PREPAID EXPENSES $2,401,072 – Continued

		Amount — Dollars C29.01	
	Amortization amounts:	1972	1971
C29.09	Balance deferred at Jan. 1	$1,550,478	$1,361,716
.10	Additional expenditures during year	845,551	446,319
.11	Sub-total	2,396,029	$1,808,035
.12	Amortized by charge to earnings during year	429,673	257,557
.13	Balance deferred at Dec. 31	1,966,356	$1,550,478
.14	Total accumulated amortization at Dec. 31 in respect of items in C29.13	1,592,796	$1,256,587
.15	Apparent term to complete amortization: C29.13 ÷ C29.12	4.57 yrs.	6.02 yrs.

C30 UNAMORTIZED DEBT DISCOUNT AND EXPENSE: $8,014,148 (1971: $6,058,832)

Amortization policy:

C30.01 Commissions, discount and other expenses incurred in connection with short, medium and long-term notes and all classes of debentures are deferred to be amortized over the term of the related debt instruments. If a debt instrument is exchangeable or prepayable at the holder's option, the amortization term is calculated to the date of the first option.

		Amount — $000's	
		1972	1971
	Amortization amounts:		
C30.02	Balance unamortized debt discount, etc. at Jan. 1	6,059	8,429
.03	Additional expenditures during year	13,297	7,910
.04	Sub-total	19,356	16,339
.05	Amortized by charge to earnings during year	11,342	10,280
.06	Balance unamortized debt discount, etc. at Dec. 31	8,014	6,059
.07	Apparent term to complete amortization: C30.06 ÷ C30.05	0.7 yrs.	0.6 yrs.

C31 PREMISES AND EQUIPMENT AT COST: $9,509,715 (1971: $8,944,750)

C32 ACCUMULATED DEPRECIATION: $5,158,528 (1971: $4,918,790)

		1972 — $000's			
		(1) Cost	(2) Accumulated depreciation	(3) Net (1) − (2)	(4) Depn. charged to earnings
	Description:				
C32.01	Land: Montreal	192	—	192	—
.02	Office bldgs.: Montreal & St. John's	2,247	835	1,412	56
.03	Office equipment, furniture	4,875	3,329	1,546	387
.04	Automobiles	2,195	994	1,201	514
.05	Totals 1972	9,509	5,158	4,351	957
.06	Totals 1971	8,945	4,919	4,026	838

Purchases during year:

.07 Purchases of fixed assets during the year amounted to $1,596,327 (1971: $1,157,672) of which $676,725 (1971: $432,790) was for office equipment and furniture and $919,602 (1971: $724,882) for automobiles. Only one item purchased cost more than $10,000, warehouse shelving at $17,972 (1971: desk-top computer at $11,650).

Sales during year:

.08 There were no significant sales in the last five years.

Depreciation policy:

.09 The companies charged $957,009 (1971: $837,896) to earnings in respect of depreciation (C31.05, col. 4) but claimed for taxation purposes capital cost allowance of $957,891 (1971: $841,821). Tax on the excess of $882 (1971: $3,925) was credited to deferred taxes.

Rates p.a. used for depreciation were: (*denotes on declining balance)		In books	Tax purposes
	Buildings	2.5%	* 5%
	Automobiles	*30%	*30%
	Office equipment, furniture	*20%	*20%

Ownership:

.10 A wholly-owned subsidiary, Premier Property Limited, owns and manages all land and buildings, but office equipment and automobiles are owned by the companies which actually use the assets.

C33 EXCESS OF PURCHASE PRICE, ETC. $ NIL (1971: $ NIL)

C 33.01 In 1969 the excess of purchase price over book value of the former Industrial-Talcott Limited and Coastal Acceptance Corporation amounting to $1,393,391 was written off to IAC's retained earnings. At the same time an additional amount of $164,561 in respect of Premier Property Limited (previously only eliminated on consolidation) was also written off, making a total charge in 1969 to the retained earnings of IAC, the parent company, of $1,557,952.

	CONSOLIDATED DEBT	1972	1971
C40	**SECURED DEMAND BANK LOANS** (Note)	$ 26,527,500	$ 26,000,000
C41	**SECURED SHORT-TERM NOTES**	313,925,943	248,852,051
C47	**SECURED MEDIUM-TERM NOTES**	169,462,500	149,586,125
C48	**SECURED LONG-TERM NOTES**	351,011,875	312,691,313
C50	**DEBENTURES**	100,633,000	93,894,000
C51	**SUBORDINATED DEBENTURES**	12,519,000	19,821,000
C53	**TOTAL DEBT**	$974,079,818	$850,844,489

Note: Includes $1,527,500 borrowed by NFC in sterling for use of its branches in the United Kingdom, the equivalent of £650 converted at Cdn $2.35.

C 53.001 Cash forecasts:

As already indicated, the procurement of funds, the organization's basic raw material, is very carefully planned and controlled by the Finance Committee of IAC. The preparation and comparison of yearly and longer term forecasts of funds required is supplemented by quarterly, monthly, weekly and daily checks of actual positions with the relative forecasts.

C 53.002 Currency of borrowings:

IAC and its subsidiary, NFC borrow both US and Canadian dollars. All US short-term borrowings were fully-hedged at December 31, 1972. See also Note to C40.

Significant debt covenants:

	Type of debt	Test of adequacy	Appx. B para. ref.	Calculation
C 53.003	IAC secured notes	112.5% pledged collateral maintained	2,3	Daily
		3.5 times 'working funds'	4	C53.104
.004	IAC debentures	'Net assets' 200% cover	6.2 (a)	C53.113
		'Net earnings' 3.5 times annual interest	6.2 (b)	C53.125
		Consolidated debt 10 times equity	6.4	C53.153
.005	IAC subordinated debentures	Adjusted net worth 400% cover:		
		1966 issue	8.2	C53.137
		1967 issue	8.2	C53.137
		IAC equity 300% cover	8.3	C53.145
		Consolidated debt 10 times equity	8.4	C53.153
.006	NFC secured notes	107.5% collateral maintained: floating charge	11.2	Every 7 days
		4 times 'capital funds', plus unsecured debt	11.3	C53.164
		9 times 'capital funds'	11.4	C53.172
.007	NFC debentures	Net earnings 3.5 times annual interest	13.2	C53.182
		4 times 'capital funds', plus unsecured debt	13.3	C53.164
		Dividend payment and share reduction	13.4	C53.188
.008	NR secured notes	115% collateral maintained: floating charge	18.1	Monthly
		10 times adjusted equity	18.4	C53.193

Significant debt covenants of IAC and subsidiaries are summarized in Appendix B (page 46).
Tests of adequacy in respect of the covenants are calculated on a continuing basis.

CONSOLIDATED DEBT (Continued)

Liquidity reserve policies:

C53.009 The policy of IAC is to maintain at all times a 'liquidity reserve' to minimize the effects of the ebb and flow of the short-term money market. This reserve is made up of cash, saleable investments (C22, C23), and open bank lines.

		Millions of Canadian dollars					
		1972			1971		
	Liquidity reserve, December 31:	IAC	NFC	Total	IAC	NFC	Total
C53.010	Cash (excluding subsidiaries other than NFC):	17.9	5.0	22.9	22.8	5.1	27.9
.011	Saleable investments* excluding Merit (C22.04) plus C23	20.4	—	20.4	51.2	—	51.2
.012	Open bank lines	202.7	34.0	236.7	204.4	33.0	237.4
.013	Other	—	—	—	—	—	—
.014	Total liquidity reserve Dec. 31	241.0	39.0	280.0	278.4	38.1	316.5
.015	% total reserve (53.014) is of total money market short-term borrowings (53.082) at Dec. 31			89.2%			127.2%
.016	High % for year: C53.014 of C53.082:	Month: Feb.		143.8%	Month: Sept.		154.0%
.017	Low % " " : " " " :	Month: December		89.2%	Month: December		127.2%
.018	Average % for " : " " " :			118.8%			139.7%

*at the lower of quoted or book value

All debt maturities next 365 days (except debt under bank credit lines)

		Millions of Canadian dollars 1972							%
		Canadian Pay			US Pay			Grand	Total Reserve
		IAC	NFC	Total	IAC	NFC	Total	Total	(C53.014)*
C53.019	Maturing within 30 days at Dec. 31, 1972	76.4	15.0	91.4	19.0	0.3	19.3	110.7	253.2
.020	" 31 to 60 days "	65.8	11.4	77.2	11.9	—	11.9	89.1	140.2
.021	" 61 to 90 days "	36.6	14.4	51.0	—	0.5	0.5	51.5	111.5
.022	" 91 to 180 days "	80.3	8.0	88.3	1.2	—	1.2	89.5	82.2
.023	" 181 to 270 days "	21.2	5.1	26.3	2.0	—	2.0	28.3	75.9
.024	" 271 to 365 days "	6.5	1.1	7.6	1.0	—	1.0	8.6	74.2
.025	Total maturing next 365 days " 1972	286.8	55.0	341.8	35.1	0.8	35.9	377.7	74.2
.026	" " " " " " 1971	232.1	53.8	285.9	48.4	4.3	52.7	338.6	93.5
.027	Volume of short-term notes 1972			935.5			172.4	1,107.9	
.028	" " " " 1971			842.2			263.8	1,106.0	
.029	% total 1972 (C53.025) of 1972 volume (C53.027)							34.1%	
.030	" " 1971 (C53.026) of 1971 volume (C53.028)							30.6%	
.031	Outstanding month-end high 1972: Month December							377.7	74.2
.032	" " " low 1972: Month February							276.1	101.4
.033	" " " avge. 1972:							314.4	89.1
.034	" " " high 1971: Month December							338.6	93.5
.035	" " " low 1971: Month January							272.8	116.0
.036	" " " avge. 1971:							298.0	106.2

*% is on a cumulative basis.

		Millions of Canadian dollars 1972						
		Canadian Pay			US Pay			Grand
	Debt under bank credit lines:	IAC	NFC	Total	IAC	NFC	Total	Total
C53.037	Total bank lines (page 17, C1.08): Dec. 31, 1972	66.0	47.0	113.0	150.2	—	150.2	263.2
.038	Total unused lines (C53.012): "	52.5	34.0	86.5	150.2	—	150.2	236.7
.039	Total bank borrowing: (Note): "	13.5	13.0	26.5	—	—	—	26.5
.040	Total bank lines (page 17, C1.08): Dec. 31, 1971	65.0	47.0	112.0	151.4	—	151.4	263.4
.041	Total unused lines (C53.012): "	53.0	33.0	86.0	151.4	—	151.4	237.4
.042	Total bank borrowing: "	12.0	14.0	26.0	—	—	—	26.0
.043	Borrowings month-end high 1972: Month: Dec.	—	—	26.5	—	—	—	26.5
.044	" " " low 1972: Month: June	—	—	3.9	—	—	—	3.9
.045	" " " avge. 1972:	—	—	16.1	—	—	—	16.1
.046	" " " high 1971: Month: Dec.	—	—	26.0	—	—	—	26.0
.047	" " " low 1971: Month: May	—	—	3.5	—	—	—	3.5
.048	" " " avge. 1971:	—	—	12.4	—	—	—	12.4

Note: C53.039—See Note to C40 page 33.

On specific request a schedule of lending bankers showing limits and usage of bank credit lines may be inspected. Exchange rate used to convert U.S. bank credit lines was Cdn $0.99½ (1971: Cdn $100¼).

C53 CONSOLIDATED DEBT (Continued)

MATURITY OF ALL DEBT

		% of 1972 Total	Millions of Canadian dollars: Dec. 31							
			Canadian Pay			U.S. Pay			Grand Total	
			IAC	NFC	Total	IAC	NFC	Total	1972	1971
	Year of maturity:									
C53.049	1974		63.4	3.1	66.5	2.0	—	2.0	68.5	53.4
.050	Sub-total to 1974	7.0	63.4	3.1	66.5	2.0	—	2.0	68.5	53.4
.051	1975		13.7	0.1	13.8	7.0	—	7.0	20.8	49.5
.052	1976		6.2	0.1	6.3	2.0	—	2.0	8.3	4.0
.053	1977		32.0	0.9	32.9	18.1	—	18.1	51.0	6.2
.054	1978		3.6	—	3.6	—	—	—	3.6	26.7
.055	1979		19.1	0.0	19.1	—	—	—	19.1	3.7
.056	Sub-total to 1979	17.6	138.0	4.2	142.2	29.1	—	29.1	171.3	143.5
.057	1980		15.4	0.0	15.4	—	—	—	15.4	19.2
.058	1981		17.0	—	17.0	—	—	—	17.0	15.6
.059	1982		17.9	15.0*	32.9	29.8	—	29.8	62.7	17.2
.060	1983		7.9	—	7.9	—	—	—	7.9	28.1
.061	1984		26.5	10.0	36.5	10.0	—	10.0	46.5	8.2
.062	Sub-total to 1984	32.9	222.7	29.2	251.9	68.9	—	68.9	320.8	231.8
.063	1985		18.5	20.0	38.5	14.9	—	14.9	53.4	46.9
.064	1986		14.1	25.0**	39.1	27.0	—	27.0	66.1	60.5
.065	1987		—	—	—	19.9	—	19.9	19.9	67.2
.066	1988		—	7.5	7.5	10.0	—	10.0	17.5	20.1
.067	1989		—	—	—	—	—	—	—	17.5
.068	Sub-total to 1989	49.0	255.3	81.7	337.0	140.7	—	140.7	477.7	444.0
.069	1990		—	10.0***	10.0	17.4	—	17.4	27.4	—
.070	1991		35.0	—	35.0	—	—	—	35.0	27.5
.071	1992		14.8	15.0	29.8	—	—	—	29.8	—
.072	1993		—	—	—	—	—	—	—	14.7
.073	1994		—	—	—	—	—	—	—	—
.074	Sub-total to 1994	58.5	305.1	106.7	411.8	158.1	—	158.1	569.9	486.2
.075	Foreign exchange (Note):		—	—	—	—	—	—	—	—
.076	TOTAL DEBT AFTER 1 YEAR	58.5	305.1	106.7	411.8	158.1	—	158.1	569.9	486.2
.077 .078	Debt other than bank maturing next 365 days (C53.025)		286.8	55.0	341.8	35.1	0.8	35.9	377.7	338.6
	Total bank borrowings (C53.039)		13.5	13.0	26.5	—	—	—	26.5	26.0
.079	TOTAL SHORT-TERM DEBT	41.5	300.3	68.0	368.3	35.1	0.8	35.9	404.2	364.6
.080	TOTAL DEBT (C53.076, C53.079)	100.0	605.4	174.7	780.1	193.2	0.8	194.0	974.1	850.8

Note: C53.075 — The general policy at the present time is to hedge all US. short-term borrowings. Figures for foreign exchange are allocated to the year of maturity.
C53.059 — * Niagara Realty of Canada Limited
C53.064 — ** Includes $19,966,000 Niagara Realty of Canada Limited
C53.069 — *** Niagara Realty of Canada Limited

		Millions of Canadian dollars		Times Leverage on Equity			
				Dec. 31		Average for yr.	
	Leverage pattern — all debt: **At Dec. 31:**	1972	1971	1972	1971	1972	1971
C53.081	Demand bank borrowings (C53.039) (Note)	26.5	26.0	0.15	0.16	0.10	0.13
.082	Short-term notes	314.0	248.8	1.75	1.55	1.52	1.50
.083	Total, excluding current part of other debt	340.5	274.8	1.90	1.71	1.62	1.63
.084	Medium-term notes	169.5	149.6	0.94	0.93	.91	0.93
.085	Long-term notes	351.0	312.7	1.96	1.94	1.92	1.95
.086	Total secured debt	861.0	737.1	4.80	4.58	4.45	4.51
.087	Debentures (unsecured)	100.6	93.9	0.56	0.59	0.57	0.61
.088	Sub-total	961.6	831.0	5.36	5.17	5.02	5.12
.089	Subordinated debt	12.5	19.8	0.07	0.12	0.09	0.13
.090	Total debt (C53.080)	974.1	850.8	5.43	5.29	5.11	5.25
.091	Equity (Page 15, C64)	179.5	160.9	Times	Times	Times	Times
.092	Total funds employed	1,153.6	1,011.7	Equity	Equity	Equity	Equity

Note: C53.081—See Note to C40, page 33.

C53 CONSOLIDATED DEBT (Continued)

		1972	1971
	Number of months collections required to repay:		
C53.093	Net short-term debt (i.e. short-term debt,* minus cash & wholesale)	5 mths.	5 mths.
.094	All secured debt, minus cash and wholesale	22 mths.	20 mths.

*Consists of C53.083, plus all other debt maturing within 1 year.

	IAC secured notes: 3.5 times working funds calculation:			$000's Dec. 31 1972	$000's Dec. 31 1971
C53.095	Current assets, IAC only			1,142,625	984,516
.096	Current liabilities, IAC only, deduct			358,120	269,674
.097	Balance: working capital			784,505	714,842
.098	Dealer credit balances (Page 40, C45), add			16,331	16,343
.099	Sub-total			800,836	731,185
.100	Secured term notes, deduct			425,203	387,200
.101	Working funds as defined (Appx. B, para. 4)			375,633	343,985
.102	" " x 3.5			1,314,716	1,203,947
.103	Total secured notes, deduct			700,449	596,507
.104	Available margin: Dec. 31 (C53.102, less C53.103)			614,267	607,440
		1972	1971		
.105	" " : High month-end, month of:	Aug.	Nov.	685,878	653,196
.106	" " : Low month-end, month of:	Dec.	March	614,267	516,423
.107	" " : Average for year			648,568	581,992

	IAC debentures: Net assets 200% cover:			$000's Dec. 31 1972	$000's Dec. 31 1971
C53.108	Total shareholders' equity, IAC only			159,247	144,659
.109	Total all classes of debentures outstanding, IAC only			98,152	107,715
.110	'Net assets' as defined (Appx. B, para. 6.2(a))			257,399	252,374
				Percentages	
.111	% 'net assets' (C53.110) of total debentures			300.6%	287.1%
.112	% required to cover, deduct			200.0%	200.0%
.113	Available margin: Dec. 31 (C53.111, less C53.112)			100.6%	87.1%
		1972	1971		
.114	" " : High month-end, month of:	Dec.	Dec.	100.6%	87.1%
.115	" " : Low month-end, month of:	Jan.	Feb.	87.8%	77.4%
.116	" " : Average for year			94.0%	80.7%

	IAC debentures: Net earnings 3.5 times annual interest:			$000's 1972	$000's 1971
C53.117	Gross income of IAC including dividends from subsidiaries:			102,172	97,184
.118	Interest, deduct			45,426	45,282
.119	Administration and operating costs, deduct			25,172	22,832
.120	Balance (C53.117, less C53.118 and C53.119)			31,574	29,070
.121	Interest on all classes of debentures in C53.118, add back			6,794	7,341
.122	'Net earnings' as defined (Appx. B, para. 6.2(b))			38,368	36,411
				No. of times	
.123	Net earnings (C53.122) ÷ Debenture interest, excluding subordinated (1972: $1,015,000)			6.6	6.1
.124	No. of times cover required, deduct			3.5	3.5
.125	Available margin: Dec. 31 (C53.123, less C53.124)			3.1	2.6
		1972	1971		
.126	" " : High month-end, month of:	Dec.	Dec.	3.1	2.6
.127	" " : Low month-end, month of:	Jan.	March	2.7	2.4
.128	" " : Average for year			2.8 times	2.5 times

CONSOLIDATED DEBT (Continued)

				$000's Dec. 31	
	IAC subordinated debentures: Adjusted net worth 400% cover:			1972	1971
C 53.129	Total shareholders' equity, IAC only			159,247	144,659
.130	Total subordinated debentures outstanding, IAC only			12,519	19,821
.131	Sub-total (C53.129 plus C53.130)			171,766	164,480
.132	Intangible assets, deduct			5,696	4,469
.133	Investment in subsidiaries as defined (Appx. B, para. 8.2), deduct			30,001	30,001
.134	Adjusted net worth as defined (Appx. B, para 8.2)			136,069	130,010
				Percentages	
.135	% adjusted net worth of total subordinated debentures: (C53.134 ÷ C53.130) × 100			1,086.9%	655.8%
.136	% required to cover, deduct			400.0%	400.0%
.137	Available margin: Dec. 31 (C53.135, less C53.136)			686.9%	255.8%
		1972	1971		
.138	" " : High month-end, month of:	Dec.	Dec.	686.9%	255.8%
.139	" " : Low month-end, month of:	Jan.	Jan.	263.9%	168.6%
.140	" " : Average for year			473.9%	208.5%

				$000's Dec. 31	
	IAC subordinated debentures: IAC equity 300% cover:			1972	1971
C 53.141	Total shareholders' equity, IAC only			159,247	144,659
.142	Total subordinated debentures outstanding, IAC only			12,519	19,821
				Percentages	
.143	% total shareholders' equity of total subordinated debt (C53.141) ÷ (C53.142) × 100			1,272.0%	729.8%
.144	Minimum cover permitted (Appx. B, para 8.3)			300.0%	300.0%
.145	Available margin: Dec. 31 (C53.143 less C53.144)			972.0%	429.8%
		1972	1971		
.146	" " : High month-end, month of:	Dec.	Dec.	972.0%	429.8%
.147	" " : Low month-end, month of:	Jan.	Jan.	439.0%	340.1%
.148	" " : Average for year			701.9%	379.2%

				$000's Dec. 31	
	IAC debentures, including subordinated: Consolidated debt 10 times equity:			1972	1971
C 53.149	Total debt (C53.080)			974,080	850,844
.150	Equity (Page 15, C64)			179,520	160,882
				No. of times	
.151	Maximum number of times permitted (Appx. B, paras. 6.4, 8.4)			10.0	10.0
.152	Total debt (C53.149) ÷ Equity (C53.150), deduct			5.4	5.3
.153	Available margin: Dec. 31 (C53.151, less C53.152)			4.6	4.7
		1972	1971		
.154	" " : High month-end, month of:	Feb.	Nov.	5.2	5.2
.155	" " : Low month-end, month of:	Dec.	March	4.6	4.6
.156	" " : Average for year			5.0 times	4.9 times

		$000's Dec. 31	
	NFC secured notes: 4 times 'capital funds' plus unsecured debt:	1972	1971
C 53.157	Niagara shareholders' equity ('capital funds' per 1972 Annual Report)	34,562	31,914
.158	Advances to, or investments in borrowing subsidiaries, deduct	—	—
.159	Unqualified assets outside North America (Page 24, Note C10.01), deduct	6,962	4,217
.160	Borrowings ranking after secured notes, add	16,500	11,200
.161	'Capital funds' plus unsecured debt, etc. (Appx. B, para. 11.3)	44,100	38,897
.162	4 times 'capital funds', etc. (C53.161 x 4)	176,400	155,588
.163	Total secured notes (per 1972 Annual Report), deduct	115,513	110,622
.164	Available margin: Dec. 31 (C53.162 less C53.163)	60,887	44,966

C 53 CONSOLIDATED DEBT (Continued)

				$000's Dec. 31	
				1972	1971
	NFC secured notes, etc. (continued)	1972	1971		
C53.165	Available margin : High month-end, month of:	June	Aug.	125,123	133,673
.166	" " : Low month-end, month of:	Jan.	Dec.	55,077	44,966
.167	" " : Average for year			84,327	84,529

				$000's Dec. 31	
	NFC total debt: 9 times 'capital funds':			1972	1971
C53.168	Total debt (per 1972 Annual Report)			132,013	121,822
.169	Total 'capital funds' as defined (Appx. B, para. 11.3, C53.157)			34,562	31,914
				No. of times	
.170	Maximum number of times permitted (Appx. B, para. 11.4)			9.0	9.0
.171	Total debt (C53.168) ÷ total 'capital funds' (C53.169), deduct			3.8	3.8
.172	Available margin: Dec. 31 (C53.170, less C53.171)			5.2	5.2
		1972	1971		
.173	" " : High month-end, month of:	Feb.	Oct.	5.4	5.4
.174	" " : Low month-end, month of:	Dec.	Jan.	5.2	5.0
.175	" " : Average for year			5.3	5.2
				times	times

		$000's Dec. 31	
	NFC debentures: Earnings 3.5 times annual interest:	1972	1971
C53.176	Earnings (per 1972 Annual Report)	5,499	4,524
.177	Debenture interest, add	1,068	435
.178	Income taxes, add	4,883	4,697
.179	Available earnings: C53.176 to C53.178	11,450	9,656
		No. of times	
.180	Earnings ÷ debenture interest (C53.179 ÷ C53.177)	10.7	22.2
.181	No. of times cover required (Appx. B, para. 13.2)	3.5	3.5
.182	Available margin: Dec. 31 (C53.180, less C53.181)	7.2	18.7
		times	times

		$000's Dec. 31	
	NFC debentures: Dividend payment and share reduction:	1972	1971
C53.183	Earnings since December 31, 1966	23,999	18,500
.184	Proceeds from the sale of capital stock since Dec. 31, 1966, add	—	—
.185	Additional margin permitted by trust deed, add (Appx. B, para. 13.4)	1,000	1,000
.186	Total dividends allowable: C53.183 to C53.185	24,999	19,500
.187	Dividends paid since December 31, 1966	16,850	14,000
.188	Margin for dividend payments at end of year	8,149	5,500

				$000's Dec. 31	
	NR secured notes: 10 times adjusted equity:			1972	1971
C53.189	Total secured notes outstanding			44,966	30,000
.190	Total adjusted equity as defined (Appx. B, para. 18.4)			7,311	6,661
				No. of times	
.191	Maximum number of times permitted (Appx. B, para. 18.4)			10.0	10.0
.192	Total secured notes (C53.189) ÷ total adjusted equity (C53.190), deduct			6.2	4.5
.193	Available margin: Dec. 31 (C.53.191, less C53.192)			3.8	5.5
		1972	1971		
.194	" " : High month-end, month of:	June	Jan.	5.8	8.4
.195	" " : Low month-end, month of:	Aug.	Dec.	3.7	5.5
.196	" " : Average for year			4.9	8.2
				times	times

		Amount – $000's		
	Consolidated debt movement summary			
	Current debt less than 1 year:	1972	1971	± Prev. yr.
C53.197	Debt other than bank (C53.025, C53.026)	377.7	338.6	+11.5
.198	Bank borrowings (C53.039, C53.042)	26.5	26.0	+ 1.9
.199	Total current debt less than 1 year	404.2	364.6	+10.9

C53 CONSOLIDATED DEBT (Continued)

	Debt over 1 year:	1972 IAC	1972 NFC	1972 NR	1972 Total	1971 Total	±prev. year
		Amount – $000's					
C53.200	Medium-term notes: Outstanding Jan. 1	147.0	2.6	—	149.6	148.4	+ 1.2
.201	" " " : Issued during yr., add	87.5	5.9	—	93.4	60.2	+33.2
.202	" " " : Repaid during yr., deduct	73.0	0.7	—	73.7	59.1	+14.6
.203	" " " : Unrealized foreign exchg. loss diff., add (Note)	0.2	—	—	0.2	—	+ 0.2
.204	" " " : Transferred to current (C53.197), deduct	59.6	3.6	—	63.2	73.7	−10.5
.205	" " " : Outstanding Dec. 31	102.1	4.2	—	106.3	75.8	+30.5
.206	Long-term notes: Outstanding Jan. 1	240.2	42.5	30.0	312.7	313.5	− 0.8
.207	" " " : Issued during yr., add (Note)	35.0	—	15.0	50.0	21.0	+29.0
.208	" " " : Repaid during yr., deduct	10.8	—	0.0	10.8	14.5	− 3.7
.209	" " " : Unrealized foreign exchg. gain diff., deduct (Note)	0.9	—	—	0.9	7.3	− 6.4
.210	" " " : Transf'd to current (C53.197), deduct	—	—	—	—	10.0	−10.0
.211	" " " : Outstanding Dec. 31	263.5	42.5	45.0	351.0	302.7	+48.3
.212	Debentures : Outstanding Jan. 1	87.9	6.0	—	93.9	96.8	− 2.9
.213	" : Issued during yr., add (Note)	—	15.0	—	15.0	—	+15.0
.214	" : Repaid during yr., deduct	2.3	6.0	—	8.3	2.9	+ 5.4
.215	" : Transf'd to current (C53.197), deduct	0.5	—	—	0.5	6.0	− 5.5
.216	" : Outstanding Dec. 31	85.1	15.0	—	100.1	87.9	+12.2
.217	Subordinated debentures: Outstanding Jan. 1	19.8	—	—	19.8	21.6	− 1.8
.218	" " : Issued during yr., add (Note)	—	—	—	—	—	—
.219	" " : Repaid during yr., deduct	7.3	—	—	7.3	1.8	+ 5.5
.220	" " : Transf'd to current (C53.197), deduct	—	—	—	—	—	—
.221	" " : Outstanding Dec. 31	12.5	—	—	12.5	19.8	− 7.3
.222	Total debt over 1 yr. (C53.205, C53.211, C53.216, C53.221)	463.2	61.7	45.0	569.9	486.2	+83.7

Notes: C53.203/.209 – Details of unrealized foreign exchange gain: page 42, C57, Column (7).

C53.207 – Details of long-term notes issued are:

Date of issue	Issuing company	Series	Nominal rate	Issue price	Maturity date	Currency	Amount $ millions
Sept. 1, 1972	IAC	"39"	8¾%	100.00	Sept. 1, 1991	Cdn	35.0
Aug. 15, 1972	N. Realty	"C"	8¼%	99.00	Aug. 15, 1982	Cdn	15.0

C53.213 – Details of debentures issued are:

Date of Issue	Issuing company	Series	Nominal rate	Issue price	Maturity date	Currency	Amount $ millions
Apr. 17, 1972	NFC	"B"	8%	100.00	Apr. 17, 1992	Cdn	15.0(1)

(1) Holders have the right to prepayment on April 17, 1977.

C53.218 – Details of subordinated debentures issued are:

Date of Issue	Issuing company	Series	Nominal rate	Issue price	Maturity date	Currency	Amount $ millions
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

C43 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
$77,275,764 (1971: $49,560,923)

		1972	1971
		Thousands of dollars	
C43.01	Accounts payable to manufacturers for motor vehicles and other goods shipped to dealers	30,094	22,123
.02	Accrued interest on debt	11,620	10,084
.03	Credit insurance premiums payable	5,398	5,641
.04	Staff bonus	428	375
.05	Mortgagor's tax prepayments	442	371
.06	Reserve for exchange on sterling	—	279
.07	Leased assets	18,350	2,156
.08	Other accounts payable	7,545	5,451
.09	Sub-total	73,877	46,480
.10	Merit Insurance Company: provision for estimated claims liability	3,399	3,081
		77,276	49,561

C44 INCOME TAXES $918,313 (1971: $5,132,201)

		Thousands of Dollars 1972	1971
C44.01	Balance of provision at Jan. 1	5,132	233
.02	Current taxes charged against income during the year (Notes: C44.02 and C44.07)	6,496	10,369
.03	Other credit (Note)	—	559
.04	Sub-total	11,628	11,161
.05	Payments to tax authorities during year excl. C44.06, deduct	8,968	6,026
.06	Other debits, deduct	1,652	3
.07	Loss carry forward relief applied (Note), deduct	90	—
08	Balance of provision at Dec. 31 (Note)	918	5,132

Notes: C44.02 — The tax rate for 1972 (Page 12, No. 26) at 48.78% (1971: 50.24%) includes deferred taxes.

C44.03 — Refunds or overpayments of prior years set off.

C44.06 — Overpayment, transferred to Income Taxes Recoverable (C20 page 30).

C44.07 — Loss carry forward relief has been applied in calculating the tax liabilities of Merit Insurance Company in 1972. At December 31, 1972 a total of $340,000 loss carry forward relief remained of which, $246,000 to be valid, has to be applied to earnings not later than December 31, 1974.

C44.08 — For IAC all Federal and Provincial tax returns for all years prior to 1971, for Niagara all tax returns for all years prior to 1966, have been audited by the tax authorities concerned. Provision has been made, or settlement effected, for all proposed adjustments involving additional tax. Management and the independent auditors are of the opinion that the balance of the provision at December 31, 1972 (C44.08) is adequate to meet all probable claims for unpaid taxes for IAC and all subsidiaries.

C58 — See Section C58, page 43 for details regarding 'deferred income taxes'.

C45 DEALER CREDIT BALANCES: $16,331,550 (1971: $16,342,748)

C45.01 The balances making up this total are only released to individual dealers against satisfactory performance.

C54 UNEARNED INCOME—SERVICE CHARGES: $114,593,628 (1971: $93,891,736)

		1972 Amount $000's	1972 %	1971 Amount $000's	1971 %
	Unearned income IAC retail sales financing:				
C54.01	Total retail receivables which include precomputed charges: % amount of C8.01	556,030	87.2	465,720	88.1
.02	Balance at year end: % amount of C54.01	86,281	15.5	71,406	15.3

		1972 Receivables: $000's Categ'y Total	1972 Receivables: $000's With pre-computed charges	1972 Bal. unear'd income	1972 % Col. 3 ÷ Col. 2	1971 Receivables: $000's Categ'y Total	1971 Receivables: $000's With pre-computed charges	1971 Bal. unear'd income	1971 % Col. 7 ÷ Col. 6
	Analysis of unearned income	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
.03	IAC Retail sales financing (C54.01/02)	637,888	556,030	86,281	15.5	528,571	465,720	71,406	15.3
.04	Consumer loans (C10.38/39)	197,344	130,659	26,375	20.2	178,087	103,039	20,685	20.1
.05	Totals (Note)	835,232	686,689	112,656	16.4	706,658	568,759	92,091	16.2
.06	Residential mortgages (C11.38) (Note)			1,937				1,801	
.07	Total			114,593				93,892	
				$000's				$000's	

Notes: C54.05 — % in columns (4) and (8) represents the total of unearned income (C54.03 and 04 columns (3) and (7) respectively) related to receivables with pre computed charges (C54.03 and 04 columns (2) and (6) respectively).

C54.06 — See Note to C11.38, page 26.

Methods of computing unearned income:

C54.08 **Consumer Loans:** Original advances under $1,500 are governed by the Small Loans Act and interest is not precomputed. For original advances over $1,500, interest is precomputed. Because most of Niagara's transactions with precomputed charges have different characteristics from those of retail sales finance (C.54.11) and involve higher initial costs, the sum-of-the-digits method is used to defer income on an account-by-account basis unearned income being always equal to the total maximum rebate refundable for each individual precomputed account assuming it were paid out immediately after the close of any financial period. For further details on unearned income, rebates, insurance commissions, etc., see Notes C10.38, C10.39 on page 24.

.09 **Regular Mortgages:** Deferred income on regular mortgages arises when such mortgages are purchased from others at a discount. In such cases the entire discount is credited to income over the remaining term of the mortgage or over 10 years (whichever period is shorter) using the sum-of-the-digits method. For information on prepayment fees and rebates see Notes C11.01 and C11.38 on page 26.

.10 **Combined Mortgages:** The fee, 2% of the combined mortgage, is not refundable in event of prepayment. Because the term of the combined mortgages is limited to 5 years, (a) $35 is taken into income in the month the mortgage is written to offset an equal amount of closing fee paid, and (b) the balance of the 2% non-refundable fee is deferred and taken into income over the remaining 59 months using the sum-of-the-digits method.

C54.11 **Retail Sales Financing, IAC:**

(a) Each contract has to be considered separately to ensure that adequate unearned income remains to produce the 'calculated yield' of income, not only over the entire life of the contract but, in particular, over the last months the contract is in force. This separate consideration of each contract is required mainly because of variations in the period of time which elapses between (i) transaction date and (ii) the first monthly 'anniversary' date on which the purchaser should make his first payment.

(b) Thus (i) the total unearned income for each contract, (ii) the minimum balance of unearned income for the contract to be retained at each monthly 'anniversary' date, and (iii) the timing at which such unearned income from the contract is to be taken into earnings, are all determined, contract-by-contract, using an electronic computer.

(c) In effect the procedure follows roughly these lines:

  (i) For each contract purchased a schedule of declining balances at each 'anniversary' date is made. The schedule assumes that all collections are made on each 'anniversary' date. The sum of these declining balances then becomes the 'total outstanding one month' on the particular contract.

  (ii) By dividing the total service charge to be earned over the life of the contract by the 'total outstanding one month', a monthly yield per cent ('the calculated yield') is then worked out to 3 decimal places.

  (iii) Using this 'calculated yield', first the minimum retention of unearned income for the last month is obtained and then, using the sum-of-the-digits method, the respective *minimum* balances of unearned income to be retained at *each preceding month-end* are calculated.

  (iv) Since August 1970 the sum-of-the-digits method described in C54.11 (c) (iii) has not been applied to new or renewal contracts written for terms in excess of 48 months. For such contracts (mainly mobile homes and industrial equipment) deferred income is taken into earnings on the actuarial yield basis.

(d) When the balance of an account is paid in full prior to maturity, earnings up to the next due date of the account are retained and the balance of unearned income for that contract is available as a rebate to the customer. If a balance prepaid is not replaced by a contract for new business, then a prepayment fee is charged (varying from 0.5% on large balances to 2% on small balances) calculated on the balance outstanding at the date of prepayment. Rebates granted and prepayment fees charged must comply with any applicable legislation.

(e) When an extension is granted, the computer record of unearned income for the contract is adjusted to account for the period for which payment is extended and for the related extension fee.

(f) All new service charges from accounts acquired during a month, all rebates granted on prepaid accounts, and all service charge adjustments are credited to or charged against the IAC general ledger account Unearned income. At the close of each accounting month the computer totals, contract-by-contract, branch-by-branch, the required minimum amounts of unearned income which should be retained so that all accounts still outstanding will produce either the 'calculated' or the 'actuarial yield' to maturity. By subtracting from the balance of 'Unearned income' at the end of any month the minimum total required to be retained at the month-end as shown by the computer listings, the service charge income earned during the month is then obtained.

Rebate Test of Unearned Service Charges:

C54.12 Because there are so many different ways of taking unearned service charges into income—with each method yielding widely varying results—IAC has developed a rebate test which might enable analysts and others outside the sales finance industry to assure themselves of the adequacy of provisions for unearned income.

.13 The assumptions behind this rebate test are:

(1) That all contracts were rebatable during the period December 26 to the next monthly 'anniversary' date without penalty, and

(2) that, in theory, all contracts were rebated as of the opening of the first business day immediately following the year-end on the basis of their average 'calculated yield' to maturity. On an actuarial yield basis, at December 31, 1972, the average *minimum* 'calculated yield' to maturity was in the range of 12.50% to 12.60% per annum (1971 : range 12.90% to 13.00%). Because of rebates not made on 'anniversary' dates, of prepayment fees, of past due interest, etc. the actual yield realized will be greater than these minimum ranges.

C54.14 For IAC retail sales financing receivables (C54.02) the following figures were developed

Rebate Test: IAC Retail Sales Financing:

		1972 $000's	1971 $000's
	Unearned service charges — retail sales financing:		
C54.141	At December 25 cut off date	85,687	70,872
.142	Period December 26/31	594	534
.143	Total unearned service charges (C54.02)	86,281	71,406
.144	Maximum theoretical rebate, deduct	90,596	75,120
.145	Balance	(4,315)	(3,714)
.146	Dealer reserve portion of theoretical rebate chargeable to dealer: 8.6% of C54.144 (1971: 9.5%, Note), add	7,812	7,102
.147	EXCESS over maximum theoretical rebate (Note)	3,497	3,388

Notes:

C54.144—Maximum theoretical rebate calculation considers the requirements of any related legislation.

C54.146—The percentage of dealer reserve portion of theoretical rebate chargeable to dealers fell in 1972 because as IAC service charges were decreased, dealer participation was not proportionately decreased.

C54.147—The excess over maximum theoretical rebate would be increased because rebates actually payable would usually be reduced by a prepayment fee — in other words, rarely would a customer be entitled to the maximum theoretical rebate unless his account is being replaced by a new contract.

C55 UNEARNED INCOME: CASUALTY INSURANCE PREMIUMS: $4,418,819 (1971: $4,180,646)

Nature:

C55.01 Casualty insurance premiums received are first credited to this account and, as they are earned, are then taken into income as follows:

(a) Policies sold directly to the public — 20% of the premium is immediately credited to income to cover acquisition expense with the remaining 80% taken into earnings on a pro-rata basis over the term of each policy. This has the effect of building up an 'unearned premium reserve' at the rate of 80% on such direct business. However, for income tax assessment purposes, at the year-end all 'unearned premium reserves' have to be calculated at 100% (See page 43, C58 Note).

(b) Other policies — The entire premium is taken into income on a pro-rata basis over the term of each policy.

			1972 Amount $000's	1972 %	1971 Amount $000's	1971 %
	Condensed operating results of Merit Insurance Company:					
C55.02	Premiums written:	% amount ± prev. yr.	10,257	+6.87	9,598	−5.43
.03	Premiums earned:	" " " "	9,750	+2.36	9,525	−7.54
.04	Claims incurred:	" " of C55.03	6,739	69.12	6,510	68.35
.05	Expenses:	" " "	3,288	33.72	3,560	37.37
.06	Underwriting gain (loss):	" " "	(277)	(2.84)	(545)	(5.72)
.07	Investment income — capital gains:	" " "	86	0.88	112	1.18
.08	" " — ordinary:	" " "	639	6.55	623	6.53
.09	Pre-tax earnings (loss):	" " "	448	4.59	190	1.99
.10	Income taxes (C55.12):	" " "	27	0.28	11	0.11
.11	Earnings (loss):		421	4.31	179	1.88
.12	% income taxes (C55.10) of pre-tax earnings (C55.09) . . . (Rate less than standard because of loss or loss carry forward relief)		6.03%		5.80%	
.13	No. of policies in force — 000's		77		81	

C57 UNREALIZED FOREIGN EXCHANGE GAIN: $7,915,693 (1971: $7,222,340)

C57.01 Unhedged medium and long-term notes payable in U.S. funds are stated at the Canadian equivalent based upon the exchange rate prevailing at the close of the related financial period. (See Note 11 to the 1972 Annual Report).

Amount — Canadian $000's

		1972 Proceeds as recorded (1)	1972 Converted at current rate (2)	1972 Unrealized gain (loss) (1)-(2) (3)	1971 Proceeds as recorded (4)	1971 Converted at current rate (5)	1971 Unrealized gain (loss) (4)-(5) (6)	± Prev. Year (3-6) (7)
.02	Medium-term notes	19,664	19,900	(236)	—	—	—	−236
.03	Long-term notes	133,347	125,196	8,151	134,063	126,841	7,222	+929
.04	Total	153,011	145,096	7,915	134,063	126,841	7,222	+693

Note: Conversion rate Cdn $0.99½ (1971 :1.00¼).

C58 DEFERRED INCOME TAXES
$61,156,147 (1971: $44,883,126)

		Thousands of Dollars 1972	Thousands of Dollars 1971
C58.01	Balance at Jan. 1	44,883	35,953
.02	Deferred taxes charged against income during year, mainly for capital assets leased (page 27, C12.38)	16,273	8,961
.03	Sub-total	61,156	44,914
.04	Transferred to current taxes	—	31
.05	Balance at Dec. 31	61,156	44,883

Note: As generally recommended by the accounting profession, during 1965 the IAC companies adopted the practice of accounting for deferred income taxes arising from claiming deductions for tax purposes in excess of charges recorded in the accounts of the related companies. Originally, in the case of Merit Insurance Company (page 42, C55.01 (a)) in order to conform with the accepted practice in the casualty insurance industry, it was not intended to apply tax allocation accounting to the results of Merit even when its tax loss carry forward relief was used up and its earnings became taxable. However in 1968, a recommendation by the Canadian Institute of Chartered Accountants caused a reappraisal of policy and it was decided to apply tax allocation accounting in all companies.

C66 COMMITMENTS UNDER LONG-TERM LEASES, ETC.

		1972 Annual Rentals	1972 No.	1971 Annual Rentals	1971 No.
	Long-term lease commitments:				
C66.01	Branch, etc. leases expiring in 1 yr.	$ 299,970	50	$ 107,095	40
.02	2 yrs.	393,340	79	260,960	57
.03	3 yrs.	413,718	72	321,188	67
.04	4 yrs.	400,490	34	362,693	58
.05	5 yrs.	237,612	39	161,946	25
.06	after 5 yrs.	526,513	39	367,123	19
.07	Total annual rental branch, etc. leases (Note)	2,271,643	313	$1,581,005	266
.08	Average term of unexpired leases by number	32 months		33 months	

Note: Total annual rental branch, etc., leases (C66.07) excludes intergroup leases, $404,196 (1971: $402,468)

	Other commitments:	1972	1971
C66.09	Capital Funds Division (page 27, C12.35)	$18,132,000	$16,477,000
.10	For fixed assets	—	—
.11	Dealer loans (page 22, C9.12)	$2,322,000	$2,206,000
.12	Other (Note)	—	—

Note:

C66.12 **Pension funds** – IAC has a contributory pension plan (based on retirement at age 62) covering all permanent employees with over one year of service, except those of the life assurance company. The pension plan is based on the average remuneration received over a period of five consecutive years prior to retirement to equal a 'final earnings' plan. This is the result of a change in the pension plan, effective December 31, 1971 which eliminates the need for any updating. The company's contribution, excluding Sovereign Life, for 1972 amounted to $758,000 (1971: $770,000). In addition the company contributed $237,000 (1971: $238,000) to various government pension plans. The Sovereign Life Assurance Company of Canada has its own pension plan based on retirement at age 65 for employees hired prior to 1970 and at age 62 for staff engaged after December 31, 1969.

C67 CONTINGENT LIABILITIES

C67.01 At December 31 the IAC companies were contingently liable in respect of:

		Thousands of dollars 1972	Thousands of dollars 1971
(a)	Miscellaneous claims (Note)	Note	Note
(b)	Pending litigation (in the opinion of legal counsel the claims appear unfounded)	2,800	8,100
(c)	Tax assessments	Nil	Nil
(d)	Guarantees	Nil	Nil
(e)	Repurchase agreements with investment dealers	Nil	Nil
(f)	Foreign exchange transactions (Note)	Note	Note

Note: C67.01 (a) — The Federal Bills of Exchange Act (effective November 1, 1970) stipulates that, for certain notes taken with respect to a 'consumer purchase', the holder of such notes is subject to any defences or offsets the purchaser may have against the seller, or dealer. Careful screening of the quality of dealerships provides effective control over the likelihood of any significant consumer purchase claims arising.

Note: C67.01 (f) — Repayment of Series "S" long term notes due in 1977 and medium term notes due in 1982 in US funds may give rise to an exchange difference which cannot at present be estimated.

		No. of Offices 1972 Dec. 31	1971 Dec. 31
C68	**NUMBER OF OFFICES**		
C68.01	IAC Limited	177	179
.02	Capital Funds Division	4	4
.03	Niagara Finance Company Limited	269	265
.04	Niagara Realty of Canada Limited	170	136
.05	Niagara Realty Limited	67	55
.06	Merit Insurance Company	5	5
.07	The Sovereign Life Assurance Company of Canada	25	25
.08	Premier Property Limited	—	—
.09	Total Offices . . . 1972	717	669
.10	Total Offices . . . Previous Year	669	574

Note: The above numbers reflect offices where the services of the various companies are available.

C 69	**NUMBER OF STAFF EMPLOYED:**		
C69.01	IAC Limited	1,557	1,563
.02	Capital Funds Division	29	24
.03	Niagara Finance Company Limited	776	788
.04	Niagara Realty of Canada Limited	31	32
.05	Niagara Realty Limited	17	16
.06	Merit Insurance Company	279	312
.07	The Sovereign Life Assurance Company of Canada	205	210
.08	Premier Property Limited	6	6
.09	Total Staff at end of year	2,900	2,951

Appendix A

DESCRIPTION OF RECEIVABLES OR PAYABLES — **YEAR OF MATURITY** — Millions of Dollars

Page No	Type of Receivables	1973	1974	1975	1976	1977	1978 1982	1983 1987	1988 1992	After 1992	Grand Total
18	Sales financing — wholesale	215.3	—	—	—	—	—	—	—	—	215.3
14	Sales financing — retail	290.9	181.5	79.9	20.5	10.7	23.3	0.1	—	—	606.9
22	Dealer loans	3.9	2.8	3.1	3.5	3.7	2.3	0.1	—	—	19.4
14	Consumer loans	80.6	59.7	26.6	5.8	0.8	—	—	—	—	173.5
25	Residential mortgages	4.1	5.4	5.9	5.8	6.1	28.8	25.8	12.2	—	94.1
26	Commercial loans and mortgages	7.4	7.0	3.9	3.5	1.7	5.1	1.9	0.8	0.0	31.3
14	Leasing	27.6	29.7	26.1	21.5	17.3	52.9	32.5	8.0	5.1	220.7
28/30	Other, incl. taxes recoverable	5.3	—	—	—	—	—	—	—	—	5.3
28	Property, etc. held for sale	1.4	—	—	—	—	—	—	—	—	1.4
	Total receivables: A	636.5	286.1	145.5	60.6	40.3	112.4	60.4	21.0	5.1	1,367.9
	Type of Payables										
39/40	Accounts payable, taxes, etc.	80.9	7.8	3.5	1.0	0.5	0.8	0.0	—	—	94.5
33	Demand secured notes	26.5	—	—	—	—	—	—	—	—	26.5
33	Secured notes other than demand	377.2	62.5	18.2	8.3	41.0	82.2	165.2	79.9	—	834.5
33	Debentures and subordinated debentures	0.5	6.0	2.6	—	10.0	35.7	28.5	29.8	—	113.1
—	Total payables: B	485.1	76.3	24.3	9.3	51.5	118.7	193.7	109.7	—	1,068.6
—	1972: A less B (Note)	151.4	209.8	121.2	51.3	(11.2)	(6.3)	(133.3)	(88.7)	5.1	299.3
—	1971: A less B (Note)	145.1	170.3	61.9	41.5	25.5	(0.3)	(162.6)	(51.3)	(14.7)	215.4

Note: IAC and its subsidiaries also had the following assets realizable on short notice:

	1972	1971
Cash (page 17, C1.04)	$28,202,000	$30,638,000
Marketable securities (excluding those of the 2 insurance companies) at the lower of quoted or book value (page 30, C22.04)	11,611,000	13,743,000
Commercial paper (page 30, C23)	9,362,000	37,478,000
Total	$49,175,000	$81,859,000

Appendix B

IAC SECURED NOTES

1. The issue of IAC secured notes is governed by the terms of the Trust Indenture dated June 2, 1947, and the Eleventh Supplemental Trust Indenture dated June 30, 1954. The Montreal Trust Company is the Trustee and notes issued under these indentures may be (a) series term notes (b) term notes issued individually, with a maturity of 10 years or less and (c) demand notes. These three types of notes rank pari passu.
2. As security, IAC must pledge and maintain at all times 'acceptable collateral' amounting to at least 112.5% of the unpaid principal amount of all the outstanding secured notes. Acceptable collateral, which may be withdrawn and substituted from time to time, consists of purchasers' obligations of various kinds which contain a promise to pay a stated sum of money. None of these obligations nor any instalments thereon are to be in arrears for more than 90 days. IAC has 15 days to cure (a) any deficiency in the amount of collateral or (b) any disqualification of collateral because of arrears.
3. To ensure that the 112.5% of the unpaid principal amount of outstanding notes is maintained at all times, IAC, under the Eleventh Supplemental Indenture, has assigned in favour of the Trustee all purchasers' obligations acquired in the ordinary course of business. In the event of any default by IAC, obligations so assigned will revert to and become vested in the company to the extent that the total of such obligations exceeds 112.5% of the unpaid principal amount of outstanding notes.
4. Under the terms of the Supplementary Trust Indentures in force the parent company, IAC, covenants that the aggregate principal amount of its secured notes outstanding at any time shall not exceed 3.5 times 'working funds'. 'Working funds' are defined as the excess of current assets over current liabilities (excluding dealer credit balances) and after deducting from the excess, secured notes outstanding which are not current liabilities at the time of calculation.

IAC DEBENTURES

5. The issues of IAC debentures are governed by a series of Trust Agreements and Supplemental Indentures. The Trustee for each issue since 1952 has alternated between Montreal Trust Company and The Royal Trust Company. Since December 15, 1965, debentures have been issued under a 'master' Trust Indenture with The Royal Trust Company as Trustee. Subsequent issues will continue to be governed by the terms of this Indenture and Supplemental Trust Indentures.
6. As long as any of the debentures remain outstanding, the Company covenants that:
   - **6.1** It will not issue any unsecured obligations with a term of 18 months or more ranking in priority to the debentures.
   - **6.2** It will not issue unsecured obligations with a term of 18 months or more ranking equally with the debentures unless at the time of issue:
     - (a) The 'net assets' of the company (surplus of assets over liabilities – assets to include the proceeds of the issue and liabilities to exclude all classes of outstanding debentures) are at least 200% of the aggregate principal amount of all outstanding debentures and other unsecured debt ranking equally with the outstanding debentures, including those unsecured obligations then proposed to be issued.
     - (b) The 'net earnings' of the Company in any 12 consecutive months out of the 18 months preceding the issue are at least 3.5 times the amount required to meet the annual interest on all debentures then outstanding, and on those about to be issued, but excluding interest on subordinated debentures. The 'net earnings' of the Company are gross income from all sources less all administration and operating costs, charges and expenses of every kind and all taxes (other than income and profits taxes) and all interest charges except the interest on all classes of outstanding debentures, including subordinated.

     A specific exception is made for Purchase Money Obligations used to acquire property or assets other than cash.
   - **6.3** No debentures ranking equally with existing debentures will be issued with a maturity date prior to February 15, 1982.
   - **6.4** Consolidated indebtedness of IAC and its subsidiaries in respect of any and all debt whatsoever shall not exceed 10 times the sum of paid-up capital, the capital surplus, and the accumulated consolidated retained earnings.

IAC SUBORDINATED DEBENTURES

7. The issues of IAC subordinated debentures are governed by a Trust Agreement and Supplemental Indenture with the National Trust Company, Limited. There are two issues outstanding and future issues will continue to be governed by the terms of this Indenture and Supplemental Trust Indentures. All debt senior to the subordinated debentures must be fully serviced before the principal, premium (if any) and interest on any subordinated debentures may be paid.
8. As long as any of the 1966 and 1967 issues of subordinated debentures remain outstanding, the Company covenants that:
   - **8.1** It will not create or issue any 'subordinated funded debt' (indebtedness of the Company for borrowed money maturing 18 months or more from date of issue expressly subordinated to any other indebtedness of the Company for borrowed money) ranking prior to subordinated debentures.
   - **8.2** It will not create or issue any subordinated debentures or other subordinated funded debt ranking equally with the 1966 subordinated debentures unless at the time of issue:

     The 'adjusted net worth' of the Company is at least 400% of the aggregate principal amount of all subordinated debentures and other subordinated funded debt ranking equally therewith. The 'adjusted net worth' of the Company is the aggregate of the paid-up capital, capital surplus, and accumulated retained earnings, *plus* the subordinated funded debt outstanding*, *less* intangible assets and *less* the Company's investment in any subsidiary having borrowings from others than the Company that mature more than 18 months after date of issue.
   - **8.3** It will not declare or pay any dividend on its common shares, nor will it make or effect any reduction or redemption of the capital stock, except pursuant to preferred shares purchase fund operations, which would reduce the paid-up capital, capital surplus and accumulated retained earnings of the Company below 300% of the aggregate amount of all outstanding subordinated debentures and other subordinated funded debt ranking equally therewith.
   - **8.4** As stated in para. 6.4, consolidated indebtedness in respect of any and all debt whatsoever shall not exceed 10 times the sum of the paid-up capital, the capital surplus and the accumulated consolidated retained earnings.

NIAGARA SECURED NOTES

9. The issue of Niagara Finance Company Limited secured notes is governed by a Trust Indenture dated March 2, 1964 as amended by a First Supplemental Trust Indenture dated April 15, 1964. All notes are secured equally and rateably by a first floating charge upon all collateral owned by the Company. The Royal Trust Company is the Trustee and notes issued under these indentures may be (a) series term notes (b) term notes issued individually, with a maturity of 10 years or less and (c) demand notes. These three types of notes rank pari passu.

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*For all Series other than that of 1966, the net proceeds of the issue has to be added to subordinated funded debt already outstanding.

10. The security consists of all paper arising out of all financial and commercial transactions entered into in Canada by Niagara, or by any of its subsidiary companies, in the ordinary and usual course of its business and operations.

11. As long as any of the notes remain outstanding:

11.1 No charges may be created which rank ahead of or pari passu with the notes unless the outstanding notes are equally and rateably secured.

11.2 The amount of collateral subject to the first floating charge* will at all times be maintained at a value of at least 107.5% of the amount of unpaid principal of all secured notes outstanding.

11.3 The aggregate principal amount of Niagara secured notes shall not at any time exceed 4 times the sum of:
(a) the amount of Niagara's 'capital funds' (paid-up capital, capital surplus and accumulated retained earnings), minus the amount of (1) advances to or investments in both domestic and non-domestic subsidiaries which themselves borrow funds and (2) assets outside North America other than short-term money market investments; plus
(b) the amount of all borrowings ranking after the secured notes.

11.4 The consolidated borrowings of Niagara and its subsidiary companies are not permitted to exceed 9 times the 'capital funds' of the company and its subsidiary companies on a consolidated basis.

NIAGARA DEBENTURES

12. The issue of these debentures of Niagara Finance Company Limited is covered by a Trust Agreement with the Guaranty Trust Company of Canada dated June 30, 1967. The agreement provides for a series of debenture issues. Series A, the first issue, with a coupon of 7¼%, was made on June 30, 1967, and redeemed on June 30, 1972. Series B was issued on April 17, 1972 to mature on April 17, 1992. Holders have the right to prepayment on April 17, 1977.

13. As long as any of the Series B issue is outstanding Niagara covenants that:

13.1 It will not create or issue any indebtedness for borrowed money ranking ahead of the Debentures other than Secured Notes, and Purchase Money Obligations – i.e. any security, other than cash, given or assumed upon acquiring any property or asset.

13.2 It will not create or issue any additional debentures or other funded obligations ranking equally with the debentures, unless in any 12 consecutive months out of the 18 months preceding the date of the proposed issue, the 'Available Net Earnings' are at least 3.5 times the amount required to meet the annual interest on all debentures (including those about to be issued) and other funded obligations ranking equally. 'Available Net Earnings' means the gross income of the Company from all sources less administration and operating costs, expenses and charges of every kind (except interest on the debentures or other funded obligations ranking equally therewith or subordinated thereto) and all taxes, except taxes on income.

13.3 The aggregate principal amount of secured notes of the Company will not exceed: 4 times the total of the 'Capital Funds' of the Company (as defined in para. 11.3(a)) plus the aggregate of the principal amount of outstanding debentures and all other indebtedness for borrowed money ranking after the secured notes.

*Collateral is calculated net of the related allowance for doubtful receivables.

13.4 Niagara will not declare or pay any dividends on its capital stock (other than stock dividends), nor will it reduce or redeem any of its share capital except for sinking fund purposes if, the aggregate amount of dividends declared or paid, together with all such reductions or redemptions of its share capital so made, exceeds the sum of: (a) the aggregate amount of net earnings subsequent to December 31, 1971, *plus* (b) the proceeds from all sales of capital stock after that date, *plus* (c) $1,000,000.

13.5 The consolidated indebtedness for borrowed money of Niagara and its subsidiaries will not exceed 9 times the Capital Funds of the Company and its subsidiaries on a consolidated basis.

14. In addition to borrowing by way of secured notes and debentures, loans of a temporary nature are made to Niagara from time to time by IAC Limited on simple promissory notes which are unsecured.

NIAGARA REALTY OF CANADA SECURED NOTES

15. The issue of secured notes by Niagara Realty of Canada Limited (NR), formerly Niagara Mortgage & Loan Company Limited, is governed by the terms of a Deed of Trust and Mortgage dated December 1, 1970. This agreement provides for a series of notes to be issued from time to time under Supplemental Trust Indentures. Three issues are outstanding.

16. The Trustee is The Canada Trust Company. All notes issued or to be issued, are secured equally and rateably by a first floating charge upon all the assets of NR and its subsidiary Niagara Realty Limited. Thus NR cannot issue any other type of security ranking prior to, or equally with its secured notes.

17. On the three series of notes issued to date punctual payment of principal, interest and any premium is unconditionally guaranteed by IAC, the parent company. Furthermore, should NR cease to be a subsidiary of (a) IAC or (b) a company of which IAC is a subsidiary or (c) a company which is a subsidiary company of IAC then, on the request of any holder of the notes, NR will refund the related principal and accrued interest not later than 150 days after such cessation.

18. As long as any secured notes remain outstanding, NR covenants that:

18.1 The amount of 'collateral' (less allowance for doubtful receivables) subject to the first floating charge will at all times be maintained at a value of at least 115% of the amount of unpaid principal of all secured notes outstanding. Deferred income, or unearned charges, or 'reserves' are not deducted in arriving at the amount of collateral.

18.2 If NR is already in default, or would by so doing become in default, NR will not:
(a) pay or distribute any dividends on its capital stock (other than stock dividends);
(b) purchase, redeem or reduce any of its share capital (unless made out of the proceeds of a concurrent or prior issue of shares);
(c) retire or pay interest on any indebtedness ranking after the secured notes.

18.3 Subsidiary companies whose notes may be included in collateral will not be permitted to borrow except from NR.

18.4 NR will not issue secured notes in an amount exceeding 10 times the sum of (a) its paid-up capital, (b) its capital surplus, and (c) its accumulated retained earnings, *minus* (d) total investments in and advances to subsidiaries that have borrowed money from sources other than NR.

19. In addition to issuing secured notes, NR proposes to continue to borrow from IAC on an unsecured basis and may, in the future, borrow from third parties by the issue of unsecured obligations.

Appendix C

PREFERRED STOCK – 4½% CUMULATIVE REDEEMABLE SHARES OF $100 EACH.

1. The following are the significant matters relating to the 4½% preferred stock of IAC, the parent company:

1.1 **Date of issue** — January 17, 1955.

1.2 **Number of shares authorized** – 100,000 shares of $100 each.

1.3 **Number of shares outstanding** –

Year	Number of shares: Outstanding Jan. 1	Outstanding Dec. 31	Redeemed in year	Amount Outstanding Dec. 31
1968	66,291	64,417	1,874	$6,441,700
1969	64,417	62,885	1,532	$6,288,500
1970	62,885	56,923	5,962	$5,692,300
1971	56,923	55,813	1,110	$5,581,300
1972	55,813	54,316	1,497	$5,431,600
Total shares redeemed 1968/72			11,975	

1.4 **Redemption: open market** – IAC may redeem preferred shares by purchase in the open market at a price not exceeding the then prevailing redemption price. During each calendar year IAC is obligated to set aside $250,000 for the purchase of its preferred shares in the open market:

(a) If sufficient shares were not available for purchase during any year, any amount necessary to bring the unexpended balance of the IAC preferred stock purchase fund up to $250,000 must be provided.

(b) The cost of any shares purchased in anticipation of the redemption requirements of a subsequent year may be applied in reduction of the $250,000 preferred stock purchase fund for that subsequent year.

1.5 **Redemption: other** – By resolution of the Board of Directors, all or any part of these preferred shares may be redeemed at any time. Thirty days notice must be given. After March 1, 1967, the redemption price is 101%.

1.6 **Voting powers** – Each 4½% preferred share entitles its holder to one vote at any meeting held by IAC shareholders.

1.7 **Voting in case of default** – Default in dividend payments for an aggregate of 6 quarterly dividends, or failure to set aside funds for the preferred stock purchase fund entitles preferred stockholders at the annual general meeting of shareholders to vote, separately and exclusively as a class, to elect 3 of IAC's directors.

1.8 **Issue of prior or equal ranking shares** – No issue of preferred shares ranking prior to this 1955 issue may be made without the sanction of the preferred shareholders. In addition no issue of equal ranking preferred shares may be made without the sanction of the preferred shareholders unless one of the two following conditions are met:

(a) the proceeds of the new issue are to be used to redeem the then remaining shares outstanding in the 1955 issue; or

(b^1) "the aggregate amount of the paid-up capital stock and surplus of the Company and the preferred shares then proposed to be issued is at least three (3) times the aggregate amount of outstanding 4½% preferred shares, outstanding preferred shares ranking equally therewith, and the preferred shares then proposed to be issued; and"

(b^2) "the net earnings . . . of the Company for any twelve (12) consecutive months of the eighteen (18) months immediately preceding the date of issuance have been at least four (4) times the amount required for payments of the annual dividends on outstanding 4½% preferred shares, outstanding preferred shares ranking equally therewith, and the preferred shares then proposed to be issued."

1.9 **Rights, preferences, priorities, etc.** – No modifications may be made unless sanctioned by at least two-thirds of the holders of the 4½% preferred shares.

PREFERRED STOCK – 5¾% CUMULATIVE REDEEMABLE SHARES OF $25 EACH.

2. The following are the significant matters relating to the 5¾% preferred stock of IAC, the parent company:

2.1 **Date of issue** – May 16, 1966.

2.2 **Number of shares authorized** – 600,000 shares of $25 each.

2.3 **Number of shares outstanding** –

Year	Number of shares: Outstanding Jan. 1	Outstanding Dec. 31	Redeemed in year	Amount Outstanding Dec. 31
1968	596,070	589,157	6,913	$14,728,925
1969	589,157	577,727	11,430	$14,443,175
1970	577,727	565,977	11,750	$14,149,425
1971	565,977	550,577	15,400	$13,764,425
1972	550,577	548,517	2,060	$13,712,925
Total shares redeemed 1968/72			47,553	

2.4 **Redemption: open market** – IAC shall, in each year commencing with the year 1968, use as a non-cumulative purchase fund the amount of $300,000 for purchasing shares on the open market at a price not exceeding $25 per share plus cost of purchase.

(a) If sufficient shares in the amounts required within the price limit specified have not been available for purchase in the year 1968 or any year thereafter, the company may expend within 90 days after the year-end an amount equal to that which should have been expended during the year.

(b) If sufficient shares are still not available for purchase as provided above, then IAC must set aside in the books of the Company an amount equal to that which should have been expended to complete the requirements of the purchase fund for the year concerned. Any sums so set aside or expended shall not be taken into account in calculating the requirements for the purchase fund for the then current year or any subsequent year.

(c) IAC may at any time anticipate the whole or any part of its purchase fund obligations by purchasing for cancellation (within the price limit specified) its 5¾% preferred shares on the open market and applying the purchase price in reduction of future purchase fund obligations.

2.5 **Redemption: other** – By resolution of the Board of Directors all or any part of the IAC 5¾% preferred shares may be redeemed at any time. Thirty days notice must be given. Redemption prices are as follows:

Redemption date	*Redemption price*
On or before May 15, 1977	\$26.50
After May 15, 1977	\$26.25 less 25¢ per share for each expired year thereafter until May 15, 1981
After May 15, 1981	\$25.25

2.6 **Voting powers** – The holders of 5¾% preferred shares are not entitled to vote at any meeting of IAC except as stated in 2.7 below.

2.7 **Voting in case of default** – Default in dividend payments for an aggregate of 6 quarterly dividends, or failure to set aside funds for the 5¾% preferred stock purchase fund, entitles the preferred stockholders to receive notice of all meetings and to attend and vote in respect of any matter coming before the meeting. Should IAC redeem all the outstanding 1955 issue of 4½% preferred shares and thereafter be in default, the holders of the 5¾% preferred shares are entitled to vote, separately and exclusively as a class, to elect 3 of IAC's directors.

2.8 **Issue of prior or equal ranking shares** – No issue of preferred shares ranking prior to this 1966 issue may be made without the sanction of the 5¾% preferred shareholders. In addition, no issue of equal ranking preferred shares may be made without the sanction of the 1966 5¾% preferred shareholders unless one of the two following conditions are met:

(a) the proceeds of the new issue are to be used to redeem the then remaining 1966 5¾% preferred shares outstanding; or

(b^1) the aggregate amount of the paid-up capital stock and surplus of the Company and the preferred shares then proposed to be issued is at least two (2) times the aggregate amount of the outstanding 1966 5¾% preferred shares ranking equally therewith, and the preferred shares then proposed to be issued; and

(b^2) the net earnings...of the Company for any twelve (12) consecutive months of the eighteen (18) months immediately preceding the date of issuance have been at least three (3) times the amount required for payments of the annual dividends on the outstanding 1966 5¾% preferred shares, outstanding preferred shares ranking equally therewith, and the preferred shares then proposed to be issued.

2.9 **Rights, preferences, priorities, etc.** – No modifications may be made unless sanctioned by at least two-thirds of the holders of the 1966 5¾% preferred shares.

COMMON STOCK

Note: Effective May 5, 1969, the common shares were subdivided on a 2 for 1 basis. All figures prior to 1969 relating to common shares have been adjusted in this section (items 3 to 20) to reflect this subdivision.

3. Twenty million IAC common shares are authorized for issue, each without nominal or par value. The number of common shares outstanding follows:

Year	Number of Shares – Outstanding Jan. 1	Outstanding Dec. 31	Issued in year	Amount Outstanding Dec. 31
1968	11,948,622	11,977,828	29,206	\$31,384,136
1969	11,977,828	12,060,587	82,759	\$32,322,154
1970	12,060,587	12,131,720	71,133	\$33,152,903
1971	12,131,720	12,306,118	174,398	\$35,279,421
1972	12,306,118	12,988,399	682,281	\$43,851,781
Total shares issued 1968/72			1,039,777	

PERSONNEL STOCK PURCHASE PLAN

4. This plan was set up in 1957. Under the plan 400,000 common shares (adjusted for stock splits) were set aside for employees of the IAC companies who have had 3 years or more of service. If specially authorized, senior advisory or supervisory employees with less than 3 years service may participate.

5. Shares are issued each year under this plan at a price equal to 90% of the price per share of the last board lot sale on the Montreal Stock Exchange on the last business day of December in the preceding year. Qualified employees may subscribe for shares up to 10% of their annual salary, plus any bonus earned.

6. Transactions during the period 1968 to 1972 are summarized below:

Year (1)	Shares reserved Jan. 1 (2)	Shares reserved Dec. 31 (3)	Shares issued (2)–(3) (4)	Price of issue (5)
1968	216,520	200,464	16,056	$ 9.00
1969	200,464	185,332	15,132	$11.25
1970	185,332	174,555	10,777	$13.39
1971	174,555	159,158	15,397	$15.18
1972	159,158	140,383	18,775	$17.32
Total shares issued 1968/72			76,137	

1967 STOCK OPTION PLAN

7. On July 26, 1967 the Board of Directors of IAC authorized the reservation of 160,000 common shares of IAC for issue to senior personnel of the IAC companies. Shares allotted in July 1967 were priced for issue at $10⅛, equivalent to 90% of the price of the last board lot sale on the Montreal Stock Exchange on July 25, 1967. Such options were exercisable at the rate of 25% per annum during each of the 4 years beginning July 26, 1968 and ended on July 26, 1972. Options granted subsequent to July 1967 were made at the *higher* of $10⅛ per share, or a price per share equal to 90% of the price of the last board lot sale on the Montreal Stock Exchange on the day next preceding the day the option was granted. Options for 5,450 shares not granted, expired on July 26, 1972.

8. Transactions during 1968/1972 are summarized below:

Year (1)	Shares reserved Jan. 1 (2)	Shares reserved Dec. 31 (3)	Options granted (expired & available for future options) (4)	Shares issued (5)	Option Price(s) (6)
1968	160,000	147,050	(6,400)	12,950	$10⅛
1969	147,050	113,843	17,150	33,207	$11⅜-12⁵/₈
1970	113,843	80,967	1,200	32,876	$13.17
1971	80,967	29,166	1,400	51,801	$16.42½-16.65
1972	29,166	—		23,716	
	Total		13,350	154,550	

1973 STOCK OPTION PLAN

9. On November 22, 1972, the Board of Directors of IAC authorized the reservation of 100,000 common shares of IAC for issue to officers and certain senior personnel of the IAC companies as determined by the Board. Shares allotted were priced at $18.79, equivalent to 90% of the price of the last board lot sale on the Toronto Stock Exchange on November 21, 1972. Such options are exercisable not later than December 31, 1973.

10. Transactions during 1972 are summarized below:

Year (1)	Shares reserved Jan. 1 (2)	Shares reserved Dec. 31 (3)	Options granted (4)	Shares issued (5)	Option Price (6)
1972	nil	100,000	95,650	nil	$18.79

WARRANTS

11. On August 15, 1966, $15,000,000 of 6¾% Subordinated Sinking Fund Debentures Series 1966 were issued in interim form to be exchanged for debentures in definitive form after August 15, 1967 and before August 15, 1968.

Twenty (20) warrants were attached to each $1,000 of face value definitive debentures issued. From the date of issue of the definitive debentures up to August 14, 1974, each warrant entitles the holder to purchase two common shares of IAC for each warrant at a price of $12.50 per share. The warrants are detachable on receipt of definitive debenture certificates.

12. If all warrants were exercised over the 6 year period beginning August 15, 1968, then 600,000 additional common shares would be issued for a consideration of $7,500,000.

13. Appropriate adjustments will be made to protect the holders of warrants against dilution of their purchase rights in the event of any subdivision, consolidation or reclassification of the common shares of IAC.

14. Shares reserved for conversion of warrants and any relevant transactions during 1968 to 1972 are summarized below:

Year (1)	Shares reserved Jan. 1 (2)	Shares reserved Dec. 31 (3)	Shares issued (4)
1968	600,000	599,800	200
1969	599,800	599,460	340
1970	599,460	599,420	40
1971	599,420	598,300	1,120
1972	598,300	510,780	87,520
Total shares issued 1968/72			89,220

CONVERSION PRIVILEGES

15. On November 1, 1967 $10,000,000 of 7% Convertible Subordinated Debentures Series 1967 were issued. These debentures were and in part are convertible into common shares of IAC as follows:

Date of conversion	Conversion rate per $1,000 principal amount	Equivalent price per share
On or before October 31, 1972	80 common shares	$12.50
Thereafter and on or before October 31, 1977	70 common shares	$14.28½

16. Conversion is without adjustment for accrued interest or dividends, but subordinated debentures converted into common shares prior to a dividend record date qualify for the appropriate common share dividends.

17. The holders of the Convertible Subordinated Debentures will have their conversion rates and privileges appropriately protected in the event of any subdivision, consolidation or reclassification of the common shares of IAC.

18. Between November 1, 1967, and October 31, 1972, 718,960 common shares were issued in substitution for the subordinated debenture debt of $8,987,000. If the balance of $1,013,000 debentures were converted on or before October 31, 1977, then additional 70,910 common shares of IAC would be issued. The next paragraph indicates that after October 31, 1972, 910 such shares were issued in 1972. The 70,000 shares reserved at year end are the equivalent of $1,000,000 subordinated debenture debt.

19. Shares reserved for conversion of the 1967 subordinated debentures and any relevant transactions during 1968/1972 are summarized below:

Year (1)	Shares reserved Jan. 1 (2)	Dec. 31 (3)	Shares issued (4)
1968	800,000*	800,000*	—
1969	800,000*	765,920*	34,080*
1970	765,920*	738,480*	27,440*
1971	738,480*	632,400*	106,080*
1972	632,400*	—	551,360*
1972	—	70,000**	910**
Total shares issued 1968/1972			719,870

*At the conversion rate of 80 common shares per $1,000 principal amount.
**At the conversion rate of 70 common shares per $1,000 principal amount.

TOTAL COMMON SHARES RESERVED

20. Total common shares reserved for possible issue at December 31, in each of the years 1968 to 1972, as shown on page 16, Note 3, were as follows:

Dec. 31	Name of Plan: Personnel Stock Purchase (Para. 6 Col. 3)	1967 Stock Option (Para. 8 Col. 3)	Warrants (Para.14 Col. 3)	Conversion Sub. Debs. (Para. 19 Col. 3)	Total Shares Reserved
1968	200,464	147,050	599,800	800,000	1,747,314
1969	185,332	113,843	599,460	765,920	1,664,555
1970	174,555	80,967	599,420	738,480	1,593,422
1971	159,158	29,166	598,300	632,400	1,419,024
1972	140,383	100,000†	510,780	70,000	821,163

†1973 Plan. (Para. 10 Col. 3)

Banks with which lines of credit are established

Canada

The Royal Bank of Canada
Bank of Montreal
Canadian Imperial Bank of Commerce
The Toronto Dominion Bank
Bank Canadian National
The Provincial Bank of Canada
The Mercantile Bank of Canada
The Bank of Nova Scotia
Bank of British Columbia

U.S.A.

Morgan Guaranty Trust Company of New York
Continental Illinois National Bank and Trust Company of Chicago
The Chase Manhattan Bank NA
The First National Bank of Chicago
Bankers Trust Company
First National City Bank
Chemical Bank
Crocker National Bank
Irving Trust Company
Manufacturers Hanover Trust Company
Marine Midland Bank—Western
National Bank of Detroit
National Bank of North America
Security Pacific National Bank
Wells Fargo Bank NA
French American Banking Corporation
Schroder Trust Company
The Northern Trust Company
The Bank of New York

Transfer Agents

Common Stock
Montreal Trust Company
Montreal, Toronto, Regina, Calgary and Vancouver
The Bank of New York
New York

Preferred Stock
The Royal Trust Company
Montreal, Toronto, Regina, Calgary and Vancouver

Registrars

Common Stock
Canada Permanent Trust Company
Montreal and Toronto
The Royal Trust Company
Regina, Calgary and Vancouver
The Bank of New York
New York

Preferred Stock $100 Par Value
Montreal Trust Company
Montreal, Toronto, Regina, Calgary and Vancouver

Preferred Stock $25 Par Value
Guaranty Trust Company of Canada
Montreal, Toronto, Regina, Calgary and Vancouver

Stock Listings

Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange / *Common Stock only*

Auditors

McDonald, Currie & Co.
Toronto, Chartered Accountants

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